THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

March 1, 1941

Back to Russia Movement in Shanghai Given New Significance by Developments

Hongkong Prepared

BY C. W. TOMBS

Stock Market Ramps Bared

BY JOHN AHLERS

Japan Robs Foreigners

BY FRANK YANG

Indo-China Refuses to Appease Tokyo; Mediation Decision Flatly Rejected

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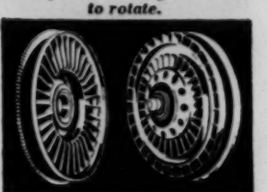

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What People Are Saying

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

MUNICIPAL AFFAIRS

To the Editor:

The latest provisional list of persons qualified to vote at the Election of Members of Council and the Annual Meeting of Ratepayers, which is dated December 31, 1940, is an interesting document but contains in its 114 pages some arresting and disturbing facts.

In a somewhat desultory way I have been analyzing it for the last month or so and in the process collecting data which may possibly interest ratepayers and others in Shanghai. I first communicated some of the facts in a private letter to a friend, who is not now in Shanghai, on January 30, but had not arrived at any decision as to whether or not to make them public in Shanghai, until February 15.

On February 12 or 13 I read for the first time Mr. Don Chisolm's devastating editorial in **Shopping News** of February 10, entitled "Our Royal Family" and then realized not only that Felix was completely out of the bag but also that Mr. Chisolm had done a real service to all ratepayers and others in Shanghai who cherish the Democratic ideals for which Britain is now fighting and which form the foundation of the American Constitution.

Subsequently in the issue of **The China Weekly Review** dated February 15, 1941, a further knock-out blow or, shall I say, bayonet thrust was delivered by you at the Monstrous Dummy stuffed with Fictitious votes of Straw, which is euphemistically or sardonically called the "Voting List." Your trenchant editorial entitled "Is Shanghai a Dying, Vanishing Metropolis Suffering from Internal Decay?" will by now, I am sure, have been read by every real Democrat with unqualified and unrestrained approbation. The answer, however, to the question contained in your title is an emphatic "Never," if only all foreigners, who are Democrats, will band together and fight against this insidious and arrogant encroachment upon their rights which is by far the greatest and most oppressive menace to their Liberty, which has ever been attempted by even the most Bourbonic Cabal that has ever mismanaged and misgoverned the Foreign Settlement of Shanghai in the whole 100 odd years of its chequered History.

As Mr. Chisolm and I had apparently been working roughly upon the same lines, without knowing it, the independent results of my investigations may perhaps still prove of interest.

Before setting any facts out I may state that the figures which are given are believed to be approximately correct and such inaccuracies as there may be err on the side of understanding and in no case it is thought on the side of overstatement.

The total number of **votes** in the List is, according to my rough calculations, about 12,900, and the total number of **voters** about 7,000. Mr. Chisolm in his editorial estimated the total votes at approximately only 9,000.

As regards individual voters I have 19 "Centurions" in my list, though perhaps I may have inadvertently done Mr. G. S. Weigall an injustice by not including him in this distinguished and powerful band of Voting Barons. The number of their votes and the names of the firms etc. which they represent are approximately as follows:—

Centurions, or Voting Barons

1.	W. J. Keswick (Jardines) ..	1098
2.	W. J. Hawkings (Wheelock's, Elizabeth Ashley, etc.)	229
3.	I. G. Sinclair (Wheelock's, Elizabeth Ashley etc.)	203
4.	V. H. Bourne (Wheelock's, Elizabeth Ashley etc.)	191
5.	A. E. Seddon (Platt's)	186
6.	G. H. Wright (Hansons)	183
7.	J. L. Simmons (Jardine's) .	175
8.	G. A. Johnston (Chartered Bank)	153
9.	D. Campbell (Chartered Bank)	131
10.	T. C. G. Pearson (Jardine's)	128
11.	B. W. Talbot (Chartered Bank)	123
12.	F. A. Pollock (Jardine's)	120
13.	H. J. M. Cook (Chartered Bank)	115
14.	R. D. K. Silby (Atkinson and Dallas)	114
15.	H. C. Hopkins (Chartered Bank)	112
16.	G. E. Marden (Wheelock's etc.)	108
17.	A. W. Buck (S'hai Land Investment Co.)	105
18.	A. E. Fenton (Hansons) ...	102
19.	E. A. G. May (Wheelock's)	101
		3,677

As I consider that in the unparalleled crisis or series of crises which seem to loom ahead of this city it is of vital importance for every one of its inhabitants, whether Ratepayers or not, to know in whose hands its destinies may lie, or, in other words, who are our civic Lords and Masters, I have set out below under the heading of Voting Baronets the names of those with 50 or more votes. There may, however, be certain inaccuracies in and omissions from this list because I regret to state that I have not been able to devote the time to its compilation which its importance deserves. The list is approximately as follows:—

Voting Baronets

20.	G. S. Weigall (Wheelock's) ..	96
21.	J. A. Anderson (Wheelock's)	95
22.	A. H. Gordon (Wheelock's) ..	91
23.	W. H. Sainton (Wheelock's)	88
24.	C. E. Sherwin (Platt's)	86
25.	W. H. Pritchard (Wheelock's)	85
26.	R. Gordon (Jardine's)	84

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

J. B. POWELL, *Editor and Publisher*

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C. Y. W. MENG, S. T. HSIEH, *Correspondents.*

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27.	R. Manly-Allatt (Wheelock's)	84
28.	J. R. Mothersill (Jardine's)	82
29.	J. S. Flood (Wheelock's)	81
30.	W. Mellor (Burkill's etc.) ..	76
31.	R. J. S. Davies (Chartered Bank)	72
32.	G. G. W. Tolmie (Chartered Bank)	71
33.	A. W. Robson (Jardine's) ...	63
34.	R. F. Griffin (Hansons)	63
35.	W. E. D. Smith (Jardine's)	56
36.	H. M. Little (Waterworks) ..	51
		1,324

It will thus be seen that 36 individual voters control 5,001 votes. In future for convenience of reference I shall describe them and all other plural voters with more than 10 votes as "Faggoteers". Among those who have only two votes or less are, I think, all the Consuls-General, Sir A. G. Mossop, Sir R. Calder-Marshall, Mr. H. E. Arnold et al.

Firms:—

1.	**Jardine, Matheson and Co. Ltd. etc.**	1,954
2.	**Wheelock & Co. Ltd.**	1,201
3.	**Chartered Bank**	805
		3,960
4.	**Hansons (Legal Practitioners)**	384
5.	**Platt, White-Cooper and Co. (Legal Practitioners)**	313
6.	**Elizabeth Ashley Ltd.**	251
7.	**Atkinson and Dallas Ltd. etc.**	114
8.	**Shanghai Land Investment Co. Ltd.**	105
		1167

It will thus be seen that eight Firms control 5,127 votes.

AMERICAN STOCK AND COMMODITY QUOTATIONS

February 26, 1941

STOCKS

Amer. Locomotive	13⅝
Amer. Waterworks	5⅜
Anaconda Copper	24
Bethlehem Steel	79¾
Chrysler	66¾
Elec. Bond & Sh.	3¼
Gen. Motors	43½
Goodyear T. & R.	18⅛
Gt. Nthrn. Rly., pfd.	24¾
Lockheed Aircraft	24⅞
Mont. Ward	37⅛
N. Y. Central	12⅞
Texas Corp	36
U. S. Steel	59¾

COMMODITIES

New York Cotton, Mar.	10.40/42
New York Rubber, Mar.	20.53/53
New York Hides, Mar.	13.08/10
Chicago Wheat, May	83⅝/83¾
Chicago Corn, May	60¾/60⅝
New York Sugar, No. 4, Mar.	0.70½B/74A

B—Bid. A—Asked.

The significance of the above figures will be more forcibly appreciated if the following among other facts are borne in mind, viz:—

In 1938 the **total** number of votes in the Voting List was 2,837.

In 1939 (March) the **total** number of votes in the Voting List was 3,955.

In 1939 (December) the **total** number of votes in the Voting List was 5,059.

In 1940 (March) the **total** number of votes in the Voting List was 8,110.

At the Election on 11 and 12 April, 1940, the total number of valid voting papers 98=Grand Total of 13,196.

The highest Japanese candidate received 5,211 votes.

The highest other candidate 8,000 votes.

Prior to that the highest number of votes ever cast was in 1936 when they reached 2,818 votes and the top candidate received 2,012 votes.

From 1920 to 1926 the highest number of votes cast was 977 and the highest amount which any candidate received was 770 votes.

With regard to votes at Ratepayers' Meetings, the following facts may be of interest:—

At the Special Meeting on May 2, 1930, total number of ratepayers present was 1,226, representing 1,688 votes—easily a record up to that time.

At the Annual Meeting on April 19, 1939, there were 297 ratepayers present representing 394 votes.

At the Annual Meeting on April 17, 1940, there were 1,949 ratepayers present, representing 6,825 votes—a record.

At the Annual Meeting on Jan. 23, 1941, there were 2,084 voters present, representing 13,066 votes.

At the adjourned meeting on Feb. 5, 1941, there were 1,072 voters present, representing 7,245 votes.

The result of the poll on the Hayashi amendment was For, 5; Against, 7,055.

The result of the poll on the Little amendment was For, 470 (393 voters); Against 6,194 (407 voters).

It would appear therefore that some 250 or so voters did not vote on this amendment.

Could it possibly be due to the fact that they were intimidated from doing so by the publicity of the "pens" where they would have been kept herded together long enough to enable some of the powerful tellers and minor cringing spies in the audience to mark them down as having voted against their "Lords and Masters"?

Every real Briton and Democrat in this year of Grace, 1941, if he believes that these facts did deter certain voters from voting for the Little or any other Amendment, will surely say:

"There is something rotten in this Bastille on the Whangpoo".

"We demand a dozen GUILTY MEN".

RANALD McDONALD

Shanghai, February 19th, 1941

WHAT OF THE SOVIET?

To the Editor:

I have ever pointed out that Anglo-American cooperation could defeat Japan at sea, while American-Soviet cooperation could defeat Japan on land. America now has determined to stand in line with those democracies, Britain, China and Greece, in fighting aggression in both the west and east. We hope the Soviet will cooperate with America. We believe that if Britain wins in the west and China wins in the East, the Soviet will be safe, for neither Britain nor China have either the ambition or necessity to covet special privileges in Russia. On the other hand, if Japan and Germany win, the Soviet, neighbor to both countries, will be menaced—perhaps will be attacked by both of them despite the non-aggression pact signed between Russia and the Reich on August 22, 1939, and the announced desire of Japan to conclude a similar pact. Neither country keeps its word, written or spoken, and for this reason, the Soviet Union should not stand aside, but should cooperate, even if only for her own future safety, with the United States, Britain and China.

China's victory would be a Soviet victory and Britain's failure would be a Soviet failure, for it is the boasted aim of the aggressors to subdue the whole world, to leave no country free and at peace. Japan has been weakened by China's war of resistance of 43 months, and now is Russia's opportunity to join in the defeat of her old enemy, Japan.

MU WEN-FU

Chungking, Feb. 7, 1941.

(Continued Inside Back Cover)

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Demand Selling rate on N.Y. ... ... U.S.$1.	=Sh.$17.78	=Sh.$17.78	=Sh.$17.78	=Sh.$18.18	=Sh.$18.18	=Sh.$18.18
Demand Buying rate on N.Y. ... ... U.S.$1.	=Sh.$17.39	=Sh.$17.39	=Sh.$17.39	=Sh.$17.78	=Sh.$17.78	=Sh.$17.78
Demand Selling rate on London ... £1-0-0	=Sh.$69.82	=Sh.$69.82	=Sh.$69.82	=Sh.$71.11	=Sh.$71.11	=Sh.$71.11
Demand Buying rate on London ... £1-0-0	=Sh.$67.96	=Sh.$67.96	=Sh.$67.96	=Sh.$69.19	=Sh.$69.19	=Sh.$69.19

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Shanghai $100. equals Yen	23⅞	23⅞	23⅞	23⅝	23⅝	23⅝
Shanghai $100. equals Guilders	10½	10½	10½	10¼	10¼	10¼
Shanghai $100. equals Rupees	19	19⅛	19⅛	18¾	18¾	18¾
Shanghai $100. equals Pesos	11¼	11¼	11¼	11	11	11
Shanghai $100. equals Hongkong $	22⅞	22⅞	22⅞	22⅜	22⅜	22⅜

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"VOSVRASHCHENSTVO" MOVEMENT AMONG THE WHITE RUSSIANS

(Editorial Contribution)

THE quoted word in the heading above this article means, literally, *returning*, but the English translation does not convey the real significance of the term. It does signify in a limited sense the physical act of returning to Russia, but in a broader sense it indicates a far-reaching revolutionary change in the mental attitude of Russian emigres residing in the Far East. And, it must be realized that the break-up of the large Russian emigre communities in Europe, such as Paris, Warsaw and the Baltic countries which have been absorbed either by Hitler or Stalin, has left the Russian community in China the most important group of Russians residing outside the borders of Stalin's domain. There are many White Russians in the United States, but their position, quite obviously, is different from that of the Russian emigres in China.

The change which has taken place in the mental attitude of a majority of the Russian emigrees toward their native land has been a gradual process, extending a decade back when the Japanese first invaded Manchuria. But there has been a great speeding up of the process in recent months, for which the Japanese also can thank themselves. To some people it came as a natural reaction against the support offered, by certain elements in the White Russian communities, to Japan's constantly proclaimed intention to ultimately fight Soviet Russia. The idea of fighting one's own country on the side of its avowed enemy seemed odious to most of the intelligent members. They felt disgusted and ashamed of their leaders, as most intelligent Chinese regard those who have espoused the side of the puppets. As a result many approached the Soviet authorities for permission to return to Russia. Good or bad, it was their Motherland, and they could follow no better course than return to it.

The significance of the "Vosvrashchenstvo" Movement cannot be diminished by the disdain with which it is regarded by the orthodox White Russians. Most of its supporters are of the younger generations, who no longer can follow their fathers in worshipping outworn ideals and notions. The movement constitutes their protest against the impossible situation—the spiritual and economic degradation in which the Russians find themselves at this time. It therefore is correct to say that the White Russian is changing his color; he is blushing many different shades of red, from delicate pink to scarlet.

Among the numerous factors which have been responsible for this situation, aside from the Japanese element, not the least important has been Soviet Russia's gradual accumulation of prestige in the international sense, signalized by the widespread courting of Moscow by practically all warring states, and including the United States to which all suggestions of Communism are abhorrent.

Present Japanese striving to attain rapprochement with the U.S.S.R. also has had its effect. How can White Russian reactionaries accept the statements of Japanese militarists, when the Tokyo Government, dominated by the Army people, is now working quite strenuously to make a deal with the red Russians?

Since Japan's assumption of an openly hostile attitude toward China, marked by the grab of Manchuria in the fall of 1931, the White Russians in China have been accused of cooperating with the Japanese in predatory activities against the state in which they found refuge. One wonders what motives have been responsible for the fact that the White Russians, politically unprotected and economically impotent groups,

"Only Peaceful Intentions"

Time and Tide, London.

living in exile in a strange land, should manifest sympathy toward an alien state, which is a sworn enemy of their Motherland, and at the same time is unfamiliar in race, religion, spirit and tradition.

The case against the White Russians in Manchuria is based on undeniable evidence. For, did not the White Russian population in Harbin acclaim the coming of the Japanese troops, which invaded the city in the course of the conquest of the North Manchurian provinces? It had all the appearance of the welcoming home of a conquering hero. The streets were jammed with triumphant crowds whose joy appeared to approach religious ecstasy. Thanksgiving services were even held in the Orthodox cathedrals of Harbin and suburbs.

It goes without saying that the Japanese were offered cooperation in all phases of their policy of conquest. Certain White Russian units formed special defense guards and even invaded the ranks of the Japanese Secret Service—note the disclosures of the Italian Ameletto Vespa in his book, "Secret Agent of Japan. Also note the files of *Harbinskoje Vremia (Harbin Times)*. The way the Russians were provided with jobs on the former Chinese Eastern Railway, after the Japanese purchased the line, plus the other evidence, left little doubt of White

Russian participation in subversive Japanese activities in Manchuria. To use a more modern term, the White Russians, or at least a great many of them, served as "Fifth Columnists" in the Japanese conquest of China's northeastern territories.

In places outside of Manchuria, there were somewhat similar developments. The White Russian leaders, or many of them, seemed overwhelmed by the "spreading sphere" of Japanese influence in China. After the loss of the northern provinces, south of the Great Wall, White Russian pro-Japanese organizations, calling themselves anti-communist societies, sprang up like mushrooms in Tientsin, Peiping, Tsingtao, Hankow and even Shanghai, following the occupation of these cities by the Japanese Army.

Many of these so-called anti-communist societies became notorious because of the excesses they committed at the expense of fellow members of the Russian communities. This was particularly true in Tientsin, where the racketeering situation became unbearable. Membership was made obligatory for all Russians under threat of deprivation of passports. The propaganda group under the Japanese-supplied banner, "Struggle Against Communism," turned out to be a spying organization against anti-Japanese elements in the Russian and Chinese communities.

In Shanghai the establishment of the puppet Wang Ching-wei Government at Nanking was followed by the organization here of an "Anti-Communist Society" in the White Russian community. As most of the Russians here lived in the Settlement and French Concession, the Japanese-fostered group established itself in the Hongkew-Chapei area, dominated by the Japanese Army. But the old Russian Emigrants Committee, headed by K. E. Metzler, prevented the Japanese-supported organization from gaining much foothold. The struggle of the Japanese-fostered clique against the loyal (to the Russian community) organization culminated in the murder of Mr. Metzler by armed gunmen in the pay of the Japanese.

The mouthpiece of the Japanese-sponsored White Russian organization in Shanghai is a daily called *Dalnevostochnoje Vremia* (Far Eastern Times). The editor is a Russian-educated Japanese named Kuriki. Russians are forced to subscribe for this journal by methods which closely approximate blackmail.*

The bulk of white Russians now residing in China —south of the Great Wall—came from Manchuria where they fled as political emigres following the Soviet Revolution in 1917. It is estimated that 200,000 Russians sought refuge in the Far East at that time, of which number at least 100,000 remained in Harbin, where they developed a Russian-type city. To understand their position and mental trends, one must keep in mind the fact that they came as involuntary emigres and never meant to make China their permanent homes. They came here for temporary refuge, until such time when "contre-revolution" would restore a normal state of affairs in their beloved homeland. Generally they were full of scorn and disdain for the country in which they were forced to live. The scions of Russian nobles, intelligentsia and bourgoisie lived in China only because of necessity and the expectation of an early return to Russia.

The effect of this state of mentality upon the lives of the emigres was significant in more than one respect: Firmly believing that their return to Russia would be only a matter of weeks or months, they held aloof and made no attempt to strike their roots into Chinese soil. Most of their energies were directed toward the preserva-

"A Slight Distraction"

New York Times

tion of their national and religious spirit and keeping it untouched until the blessed time of return would restore them to their normal positions of dignity and respect. Although Soviet Russia managed to consolidate itself in a hostile world and the possibility of successful intervention faded away, emigre mentality continued to prevail, even though the future—from their standpoint —appeared black and hopeless.

Having thus failed to establish a firm economic foothold in their new world, many of the emigres gradually fell into misery and despair. Also, many of them began to degenerate in a social sense.

It was at this point that the incredible thing happened: The Japanese Army, without prior announcement marched into Manchuria in the autumn of 1931. Russian emigre spirits immediately heartened. Here was a friend and powerful ally! Completely overlooked was the fact that Japan never had manifested any friendliness toward Russia—Czarist or Communist. Even overlooked was the fact that Japan had fought Russia in the beginning of the century; had always displayed deep treachery and hypocrisy in dealings with the Russian people, to such an extent that the Russian vocabulary contained only one word for Japanese, "macaco," meaning monkey.

White Russian leaders were aware that Japan was a monarchist state in which the prestige of the Emperor was high and that tradition and religion were powerful influences. But the leading emigres thought and argued about only one thing: Japan was the mortal enemy of Soviet Russia and nothing else mattered. This only was the basis of the Japanese-White Russian *entente cordiale*.

* There are six Russian periodical publications, aside from several non-political magazines, published in Shanghai. Of these six *Novaya Zisn* (New Life) is a Soviet weekly; *Radina* (Motherland) is published thrice monthly by the "Union of Russian Emigrants aspiring to go back to Russia" *Novosti Dnia* (The Daily News) is distinctly a Leftist publication. Of the remaining three *Shanghai Zaria* is representative of conservative emigrants' opinion with limited pro-Japanese sympathies; *Slovo* (Word) is of extreme Rightist orientation, but not openly pro-Japanese. *Dalnevostochnoje Vremia* (Far Eastern Times) is a Japanese-supported publication referred to above. It is published in Hongkew. There also are other occasional publications, such as *Russki Rasvedchik* (Russian Scout), organ of Monarchist Russian youth, which proclaims (No. 4) "unanimity of aspirations of Nipponese, the peoples of Manchou-Ti-Kuo and the Russian Monarchists". *Standard*, a Religious-Monarchist Organ is of similar tendencies, and, in addition there are a number of other publications which are imported from Manchoukuo, and cater to the swiftly diminishing (politically speaking) portion of the White Russian community in Shanghai, which is already much too small, and its activities too petty to constitute any danger in "Fifth Column" activities in China.

How much did the White Russians benefit from this cooperation? The answer is provided by the continued and even accelerated exodus of the White Russian population from Manchuria and Japanese-occupied areas of China. Of the estimated 200,000 Russian emigres in the Far East, it probably is correct to say that three-fourths or 150,000 settled in Manchuria. If we deduct from this number the 30,000 Russians who returned to the USSR following the sale of the Chinese Eastern Railway to Japan in 1935, it would appear that there still remained 120,000 "White" Russians in the Manchurian provinces. But the semi-official Manchukuo Year Book in 1935 said there were only about 50,000 "White" Russians in the whole territory, of which number

"An Operation For Stalin"

St. Louis Star-Times.

the Japanese claimed 5,054 had become "naturalized" citizens of the New State. Subsequent editions of the Year Book and other publications pertaining to population have conspicuously omitted reference to the Russians. The 1940 Manchukuo Year Book mentions "other than Manchukuo, Korean and Chinese, estimated at 67,110." The figures speak for themselves.

All are aware that other Russian communities in the Far East have swelled enormously since the Japanese occupation of Manchuria. Shanghai received the largest number, but other cities such as Tientsin, Peiping, Tsingtao, also received their quotas of Russians "who fled from the amenities of the Japanese-sponsored regime." Shanghai's Russian "colony" jumped from a possible 10,000 to 30,000. Also there was large emigration to America and Australia from the Far East.

Experience in the Manchurian "paradise" set up by the Imperial Japanese Army, proved to be no happier for the White Russians than it had been for other foreigners. The result of this new Russo-Japanese "cooperation" was to force the emigres into worse economic status than they had experienced prior to the coming of the "deliverers." It was immeasurably more difficult to eke out an existence under Japanese rule than it had been under the Chinese administrations.

But of most significance was the fiasco of "White" Russian aspirations that Japan would fight the Soviets with White Russian assistance! "White" Russians realize fully well that the Japanese expansion program includes the overthrow of the Soviet regime in Russia, but particularly in Siberia, just as definitely as the "southward expansion" movement is included. But the "White" Russians now realize that there is no place for them in this picture. Disillusionment over this long-held hope of deliverance constituted the final blow. It was at this point that the Russian emigres in the Far East "went left," and adopted the newly-coined term, "Vosvrashchenstvo," which, as stated, means the "returning movement."

The Proposal to Sell The American Club

The American Club, which has been the center of American community activities in Shanghai for practically two decades, may be sold unless action to prevent the proposed deal is taken by the members at an extraordinary general meeting called for 5:30 o'clock Friday afternoon (Feb. 28). The first intimation that the members received was a few days ago when the Secretary circulated a brief notice calling an extraordinary general meeting, "for the purpose of considering an offer received for the purchase of the Club premises".

The notice gave no information regarding the name of the person or persons interested in purchasing the property, or the amount of the offer. It was rumored that the offer had been received from a local Chinese bank, but this was not confirmed. It also was rumored that a previous offer—not considered by the Committee—had been made by Japanese interests. The Club premises are located at 209 Foochow Road and consist of a seven-storey building. The club is opposite the Municipal Building and adjoins the new Central Police Station, important elements to be taken into consideration in disposing of the property, particularly to interests such as the Japanese, who might use it as they use certain buildings on the Bund as headquarters for gendarmes or plain-clothes gunmen.

W. J. Shanahan, a well known member of the Club circularized members on Wednesday of this week suggesting a method of financing the Club which would, if adopted, relieve the members of a considerable financial burden occasioned by a bond issue when the institution was originally constructed. Mr. Shanahan stated in his circular that the American Club was a useful asset of the American Community; that it had been the main meeting place for various American organizations and for functions held by American and Sino-American community groups. He declared that the sale of the property would result in a considerable loss of face on the part of the Community; that it had been a landmark on Foochow Road for many years and expressed the belief that a majority of the members would regret seeing the American flag lowered from the front of the building.

The American Club was the first foreign club in Shanghai to admit Chinese members. It has one of the most complete libraries in Shanghai. The present officers include, President, J. M. Hykes; Vice-President, N. E. Lurton; Honorary Treasurer, E. F. Rouch; Honorary Secretary, P. F. Kops; Secretary, A. C. Chapin.

Hongkong Bank Shows HK14,000,000 Profit, Chairman Reports

The net profits for the past year's trading were approximately Hongkong $14,000,000, Mr. J. J. Paterson, Chairman of the Board of Directors of the Hongkong and Shanghai Banking Corporation, announced at the annual general meeting of the Bank held Wednesday in Hongkong says a *Reuter* message.

After reviewing European events of the past twelve months Mr. Paterson commented upon the establishment of Nanking's Central Reserve Ban.

"The establishment of this bank, "Mr. Paterson said, "had little serious effect on the Shanghai market, but it cannot be gainsaid that the establishment of this bank, coupled with the existing situation in North China, has made for uneasiness, since it is feared that further measures may follow.

"All Far Eastern banks lay stress on the importance of the continuation of the existing free market at Shanghai, and rash action, whether on the part of Chungking or Nanking, might result in unfortunate reactions not only in Shanghai itself, but also in China generally."

Japan's Ambitious Plan of Southern Empire May Shatter on Craggy Heights of Britain's Island Colony

BY C. W. TOMBS

The Japanese deny it vehemently, of course, and only those of the inner cabinet at Tokyo are fully aware of the evil days upon which that country has fallen, but they have been unable to conceal evidence gathered by the trained eyes of expert observers, that four years of effort to instill the "new order" in East Asia have taken brutal toll of Japan's resources. It cannot be denied even by Tokyo that Japan is impoverished, with heavy advance calls on taxation, huge budgetary deficits, inflation, all contributing towards increasing unrest and dissatisfaction among merchant and peasant, banker and businessman alike, and for the suppression of which Premier Prince Konoye, last defender of liberalism in the government, was compelled to submit recently to the imposition of "total" restriction on the while of the country's political, industrial, financial and social life.

With an apparently endless succession of new burdens being imposed on the harrassed Japanese people, they also have to face the fact that Free China has been weakened, but is no more broken than when Prince Konoye in his first term of office in August, 1937, assured the world that China would be brought to her knees in three weeks—and then later amended it to three months. He was to be in power again as the China Incident approached its fifth year, finding that the more desperately Japan tried to tighten her grip on China, the more skillfully Generalissimo Chiang's government reinforced its defense in the terrifying spaces of China's impregnable southwest, where industrial construction has outpaced all expectations in the national unity which has swept the country, where China's sinews of war are being developed in the face of well-nigh insurmountable difficulties.

Japan's army men have shown themselves unable to make good their swaggering boast that they would reduce China, even though at least they kept their promise that none (including noncombatants) would be spared in the furtherance of their "sacred mission" in China; and likewise her politicans have shown themselves incapable of engineering a graceful withdrawal. In the territories over which the army has gained purely local "control," Japan's merchants, her carpetbaggers and camp-followers have been unable to recoup some portion of the cost of over three years of ravaging conflict, even though they have resorted to the outright theft of British and American as well as Chinese property.

Further proof of the position in which Japan finds herself in China today might be supplied if need be, by the recollection that the sole "achievement" of which Foreign Minister Matsuoka was able to take "pride" in the course of his annual review before the Diet last month was the Abe-Wang "treaty" of November, 1940,—a document which has not been recognized even yet by Japan's Axis partners in aggressive crime.

Clash Must Come

These points are stressed to emphasize the fact that Japan can never hope to liquidate the China" Incident" without some day clashing outright with those powers which by economic and oher means of pressure can at any time seriously weaken the mainspring of Japan's war machine. This is possible because before the outbreak of hostilities, Japan was barely able to maintain her overcrowded millions on domestic resources; on these latter alone, however, she has not, and can never hope to maintain an efficient war effort as well, unless she can loot sufficient primary produce from China (which she has been unable to do) or unless the Japanese government can supply foreign exchange for the import of needed goods, particularly such goods as scrap iron and other metals. The imposition of the United States embargo against Japan, however, and the outbreak of the European War, have closed to Japan sources of supply, even if the Government was able to produce necessary foreign exchange.

Japan, therefore, has been compelled to turn south, to gain if possible, domination over the seas from Indo-China to the north coast of Australia and thus secure the war materials in which it is manifestly evident she stands in need....tin, oil and rubber from the Netherlands East Indies, coal and metal (and air bases) in Indo-China, wheat and wool from Australia—and the abundance of China's great storehouses of natural wealth.

Japan's southwards "expansion" movement often and erroneously has been termed a "dream." In the true sense of the word, it is no dream, it is an ambitious plan drawn up by Japan by virtue of sheer Nationalistic necessity; but dream or plan, between Japan and its fulfilment stand the British and American navies and a series of strategically positioned bases on any one of which the plan may be shattered. Most important of these, of course, are Singapore and Manila, but in the past two years Hongkong, Britain's Island Colony off China's coast, also has taken its place in the first line of Democratic defense in the Far East, and the British authorities have made it painfully evident to Japan that they regard it as of permanence.

"Gibraltar of the East"

Japanese impressions that Britain would abandon her "Gibraltar of the East" in the event of a conflict in the Pacific were completely removed by a frank statement made by Air Chief Marshal Sir Robert Brooke-Popham when he arrived in the Colony on December 27 soon after his appointment as Commander-in-Chief of the British Forces in the Far East.

"Any idea that Hongkong is merely to be looked upon as going to fall in a few days or a few weeks in the event of attack is entirely wrong," the British Commander-in-Chief declared. "Hongkong is of permanent value and the garrison has a very definite job to play in the operations in this part of the world." Sir Robert emphasized that the British forces in the Far East, even then, were being reinforced, and that an increase in the strength of any part of his command would automatically strengthen other parts "even though indirectly." Whether Sir Robert was aware at the time of his statement that Australian troops would be despatched to Singapore is beside the point; the inference remains, that Hongkong has been made mightier by Malaya.

The reinforcement of the garrison at Singapore by Australian troops last week,however, was but a recent part of a long established scheme by Britain to face Japan's bluffs with solid fact. The evacuation of British women and children from Hongkong last year obviously was a deliberate act, carried out by the authorities in the face of tremendous opposition from outraged husbands and wives. The more recent enactment of "Ordinance No. 12, of 1939," dealing with registration of persons in the Colony, and the restriction of free immigration, involving severe hardship even upon the British themselves are best summed up in "Section C" of the Act:

"It should be noted that everyone, except those -exempted, must register either as British subjects or as Aliens. Persons who have not already registered as British subjects or as Aliens are requested to do so without delay." This notice was published on December 31, 1940, and it drew an immediate protest from the Chinese as well as Japanese. The latter protested as a matter of form, the former because the Chinese people suffered great inconvenience as the result of some of the minor undertakings required under the restrictive regulations.

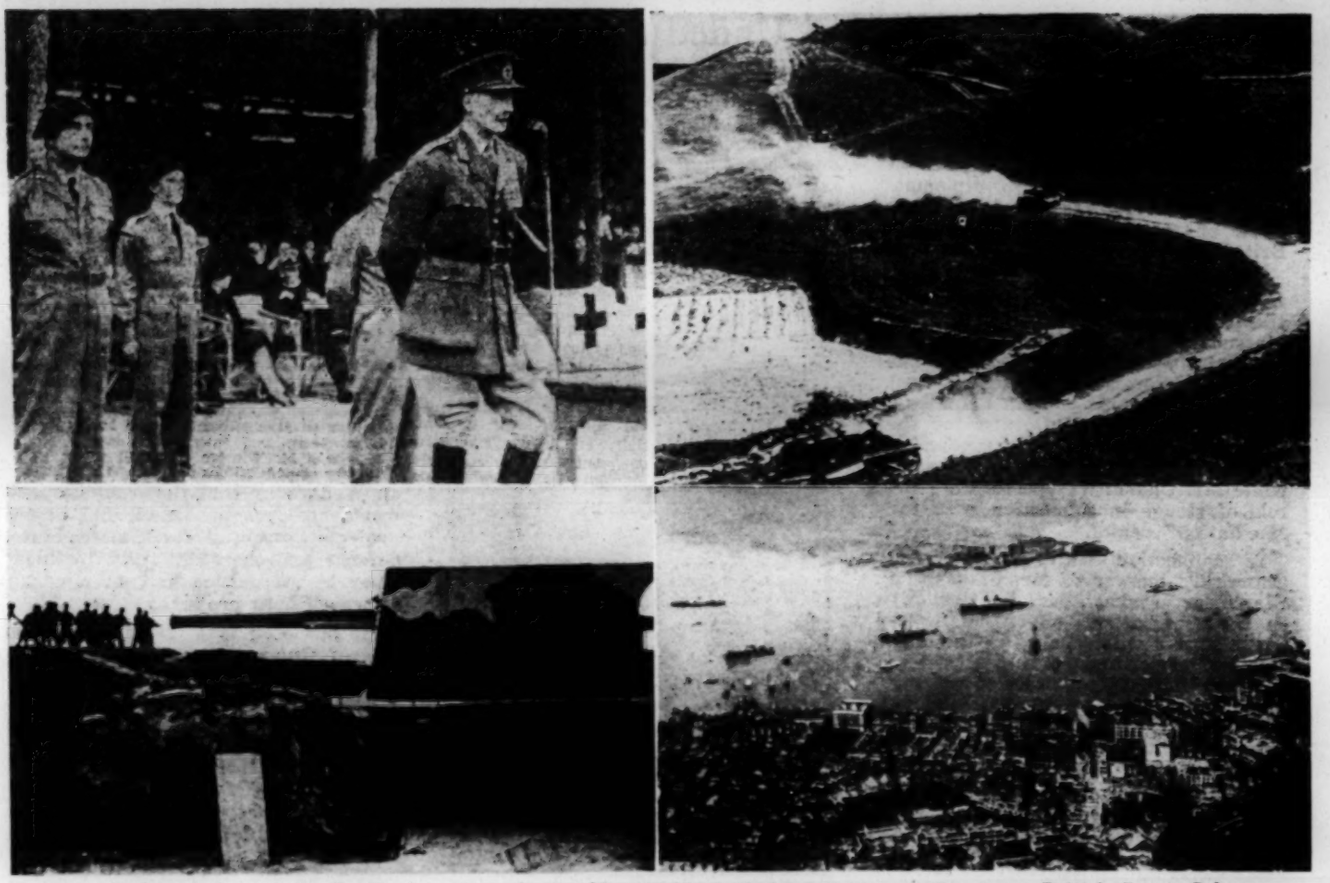
On top of restrictions on the movements of civilians have been imposed a set of ordinances which virtually amounted to martial law, controlling the Hongkong Volunteer Defense Force, requiring residents to participate in A.R.P. exercises, isolating certain areas as military zones, commandeering such areas the authorities thought fit, and permitting other actions which can be considered normal only in a country actually at war, or faced with the immediate prospect of war.

First Line of Defense

Hongkong's chief qualifications to hold an important place in the Democracies' first line of defense in the Far East are her abilities to meet the chief requirements of a naval base. The Far Eastern Bureau of the British Ministry of Information at Singapore defines these requirements as a sufficiency of sea room, to provide anchorage for a fleet, that it should be defensible, so that the fleet may rest under the protection of the defenses, and that it should have fuelling, ammunition and storing facilities. Repair facilities, the Bureau further demands, should be adequate and easily available, so that battle damage might be quickly set right. "To these main requirements, we can add certain minor requirements, which, though by no means essential, are undoubtedly useful....If we examine Hongkong we will see in how far the place can meet the various requirements that we consider as necessary."

There is no doubt as to the magnificence of Hongkong's harbor—a deep, jade setting for the dark green verdancy that towers above it by day, jet below the myriad lights which signal its peak by night. Practically landlocked, it offers secure anchorage for a large fleet except in the typhoon season, and even then none but the smaller ships must run for safer refuge. At that, if they have to do so, they have two entrances through which to escape what might befall them—a feature which, as pointed out by the Singapore Bureau of the British Ministry of Information, not

First Barrier in Path of Japan's Southward Expansion Theory



If Japan plunged the Pacific into war, she would probably hurl the first blow at Hongkong, British Crown Colony off the coast of China, but, according to Sir Robert Brooke-Popham, Commander-in-Chief of British Forces in the Far East, the attack would not find Britain's "Gibraltar of the East" unprepared. Although there is evident in Hongkong a surface glitter of gaiety which must be found in any community so overcrowded and so international in character as Hongkong, beneath may be found much evidence of grim British determination to make costly any action against them. Top left, His Excellency the Acting Governor of the Island, Lieut-General E. F. Norton, is shown addressing a parade of air raid wardens at Happy Valley, Hongkong, recently, while to the right are shown Bren gun carriers tearing over the mountainous paths which twist to the Peak, craggy height overlooking the whole of the Colony and its approaches. One of the camouflaged coastal defense guns is shown lower left, and lower right, a view of the fine harbor which can afford shelter to the whole of the British Far East fleet.

only lends itself to the quick berthing of a fleet, but also to the quick deployment of vessels.

Strong Natural Defenses

The potential defensibility of Hong Kong is great with one most unfortunate exception, states the ministry of Information. Due to the rugged country and high hills land defenses of great strength can be, and have been, constructed. Nor have the defenses from water borne attack been neglected. The guns in the various forts are of sufficient size, range and hitting power, to make a naval bombardment a matter of considerable risk. In addition the hills that surround the harbour would make bombardment of ships lying in it something of a problem to the Naval Artillerist, with his comparatively flat trajectory weapon, even though he enjoyed the advantage of aerial spotting. Thus a fleet should be safe from attack from the sea, and also from the land, unless the enemy cared to mount against the place a full scale military attack.

The deficiency in defence mentioned by the ministry "cannot be overlooked." The hills which give to Hongkong so much of its strength, also provide its greatest weakness. There are few places in the Colony where the ground is suitable for the construction of airdromes. Lack of airdromes and air facilities in general lays the harbor open to attack by air. True, it is added, a certain amount can be done with a heavy enough concentration of Anti-Aircraft fire, but for a lasting solution of this problem A. A. fire must be backed up by the cooperation of fighter aircraft. Thus, although it might be felt that the harbor of Hongkong is well protected against attack from land and sea, it must admit a degree of vulnerability from the air.

Dockyard Facilities

In addition to a naval yard, where extensive repairs can be carried out, there are two large commercial dockyards in Hongkong where ships up to the size of cruisers can be docked and where, as in the case of the naval yard, extensive repairs both to machinery and hulls could be done. These yards are normally employed on both repair work and ship-building and have, not only the necessary machinery, but also a large number of skilled workmen who are kept in constant employment and practice. With three yards, any one of which can deal with cruisers, to cater for the heavier work there are also a number of smaller yards and native boat building firms who could, should the need arise, be employed on the smaller repair work such as overhauling of ships' boats.

The Ministry of Information examination of Hongkong indicates that the place is "liberally endowed with most of the features which go to the make up of a good Naval Base, and apart from the vulnerability to air attack it is one of the most perfectly situated bases in the world and plays an important part in British Far Eastern strategy."

While it was stressed by the British Ministry of Information that Hongkong was embarrassed by lack of suitable airfields, Sir Robert Brooke-Popham during his visit to the Colony in December, drew attention to the changed concepts of modern defense requirements. Security, he pointed out in a press interview, was no longer a matter of defense in a small ring of defense. The radius of action and mobility to modern R.A.F. squadrons was such that they could affect areas even at a great distance from their bases. Whether the most modern fighter compelled to operate from a base outside of Hongkong against a force operating from the Colony's borders would be effective, however, seems most unlikely. It was more probable that Sir Robert was referring to the potentialities of the Fleet Air Arm.

Matsuoka's Latest Outbursts Draw More Sharp Criticism from Britain and United States

Mr. Yosuke Matsuoka, Japanese Foreign Minister whose recent utterances and subsequent retractions through the agency of Vice-Minister Mr. Ohashi, have been a source of profound astonishment to diplomats the world over, was the target last week of more sharp criticism from Britain and United States.

From London on Wednesday *Reuter* cabled *The Times* comment on the mediation offer which Mr. Matsuoka has since repudiated, and dealt also with British reaction to the Japanese Foreign Minister's latest extension of his "Asia for the Asiatics" scheme to "Oceana for the Asiatics"...a proposal propounded before the Japanese Diet on Tuesday while Mr. Ohashi was performing the role of stooge in connection with the "mediation" denial.

In connection with Mr. Winston Churchill's answer to Mr. Shigemitsu (Japanese Ambassador in London) on the "mediation" offer, the newspaper says it was couched in the only possible terms, and continues: "The purposes for which Britain is waging war make clear that there can be no question of mediation, parley or compromise with Hitler or his Fascist partner.

The impression has been recorded in Japanese circles in London that the conversation was fruitful and will have helped to dissipate certain misunderstandings that have arisen between Great Britain and Japan, but it must be admitted that "this favorable impression was not reinforced by the speech which Mr. Matsuoka himself was delivering at about the same time in the Diet in Tokyo," concerning Oceania, which, Mr. Matsuoka declared, the white race must cede to Asiatics.

"It is true he afterwards added, by way of explanation, that he hoped to obtain Oceania as a region for Japanese migration by an understanding with Great Britain and the United States. But this proviso scarcely detracts from the unhappy effect created by these ambitious, overweening claims to 'lebensraum' for Japan.

More important than Mr. Matsuoka's theoretical ambitions, says the *Times*, is Japanese action in the dispute between Thailand and Indo-China. "The prolongation of the truce for a further ten days may perhaps be regarded as evidence that the Japanese Government has not yet taken a decision to precipitate the issue. But everything goes to show that this so-called mediation is being conducted as a means not of composing what originally was a not very serious frontier dispute, but of bringing pressure to bear on Indo-China, whose condition is supposed to render her incapable of resisting Japanese demands."

U. S. Comment

The U.S. State Department on Tuesday declined to comment to *United Press* on Mr. Matsuoka's Suggestion that the white race cede Pacific Oceania to the Asiatics.

"It always has been my pet theory," Mr. Matsuoka had told a Diet Lower House committee, "that Oceania, which is 1,200 miles north and south and 1,000 miles east and west, must be made a place for the Asiatic peoples to migrate."

Geographical experts in Washington evaluated Mr. Matsuoka's claim, "Oceania for the Asiatics," as including possessions of France, Britain and the United States and the islands of Hawaii, Samoa, Tahiti and New Zealand.

For Defense!

Above and right are two examples of how stamps are being employed "for defense" of the Democracies. The large stamp is a sticker being sold in Shanghai to raise funds for the British war effort, and may be purchased in sheets from numerous agencies, such as clubs, hotels and shops throughout the town. The smaller stamp is a genuine postage stamp, one of a recent issue by the United States, depicting an anti-aircraft gun under the words "Army and Navy," and above the caption "For Defense." These stamps have arrived in Shanghai by only recent mails.

Mr. Samuel W. King, delegate from Hawaii, a highly qualified expert on Pacific geography and anthropology, told the United Press that "Mr. Matsuoka took in more territory than he knew."

"His obvious misconception of what constitutes Oceania made his statement truly ridiculous," Mr. King said.

Some observers suggested that Mr. Matsuoka's statement might have been designed to constitute a reply to the United States' fortification of Guam and Samoa.

"Hardly A Fit Person

In Shanghai the Evening Post declared that if there were anything which could possibly arouse Americans, and particularly West Coast Americans, to bitter heights of Matsuoka and Japan denunciations it would be the suggestion that Japan has or ever would have any rights in Hawaii.

"Why Mr. Matsuoka, who supposedly knows America and Americans, should go out of his way to irriate and anger them is a mystery to which he ought to supply an answer unless he wishes to be held responsible for deliberately fostering bad relations between the two countries or of being hopelessly incompetent".

"In either case Mr. Matsuoka would hardly appear to be a fit person to handle Japan's foreign relations and particularly her relations with the United States in their present state".

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Guam, Samoa "Essential"

Senator David I. Walsh, Chairman of the Senate Naval Affairs Committee, told the press in Washington on Wednesday that the Navy Department considers the Guam and Samoa projects "essential for United States defence and therefore fully justified" after his committee had unanimously approved both projects.

He disclosed that both the fortification of Guam, only 1,500 miles south of Japan, and Samoa had received the fullest support from all committeemen, states a United Press message. His committee had unanimously approved the U.S.$242,000,000 naval expansion bill. Of this sum, US$4,700,000 will be spent immediately on improving Guam's defences and harbour facilities, he added.

Admiral Ben Morrell, Chief of Civil Engineers, who testified before the Naval Affairs Committee, postponed discussion on the strategic significance of the fortification of Guam and Samoa to the executive session.

Senator Walsh said that the general theory of converting Samoa into a naval air station was its utility as a guardian of the American air route to Australia.

The Democrat from Massachusetts said that he saw nothing unusual and unfitting in protecting the American air route to Australia.

Earlier, Admiral Morrell has testified that he desired to convert Samoa into a large air station.

Asked whether the Navy realized the strategic disadvantages of Guam since it was located in the centre of the Japanese Mandated Islands, Admiral Morrell declared, "We are operating planes in the Philippines and need Guam as a way station on flights between Hawaii and the Philippines."

He added that the Navy intended to remove coral heads from the harbour within six months, but expected to take 18 months to build a breakwater. He disclosed that recently some seaplanes were nearly wrecked there during bad weather.

Senator Guy M. Gillette, Democrat of Iowa, when asked if he had heard the Guam project might have repercussions in the Far East, replied:

"I don't give a damm—you can quote me on that."

Small Investors Hard Hit in "Ramps" Worked by Big Operators, "Inside Men" on Shanghai Stock Market

BY JOHN AHLERS

Operations on the local Stock Exchange continue to enjoy great popularity with the big interests as well as with the man-in-the-street in Shanghai. For many weeks past, the daily average stock turnover has been above $10,000,000. The amount of local capital involved in stock operations had approximated $500,000,000, if not more. Booms and crashes in Shanghai stocks have strongly influenced the local economic situation; heavy reductions in stock prices have initiated widespread depressions, while on the other hand improvements of the stock market have occasionally led the way out of business stagnation.

General factors encouraging stock operations here include, first of all, Chinese currency inflation. The tendency of stock values to react positively to monetary depreciation; the amplitude of mobile Chinese dollar funds; the increased profit margin, as a result of insufficient adjustment of wages and salaries, in most local enterprises—all these inflationary elements have played into the hands of the Stock Exchange. Other factors working in the same direction were Chinese and foreign capital's unwillingness to venture on any appreciable scale into either Japanese-occupied or Free China; the repatriation of large funds of Chinese flight capital multiplied, in terms of local dollars, by gains on exchange differences; the complete absence at Shanghai of capital and exchange control; and, finally, an increase in plain gambling through all the forementioned factors combined.

Operators on the Stock Exchange at Shanghai today include representatives of all strata of the local population. They include the big stock corporations, or the leading men behind these corporations who transact on a large scale their own as well as other shares. They still include a large number of private investors, big and small. They include a multitude of pure and simple speculators who range from big operators who subscribe to all the news and broker services and have direct telephone lines to all their important business connections, via medium stock adventurers who linger in the brokers' blackboard rooms, to small-scale speculators relying for information on the newspapers and shyster-broker "tips," and even down to modest office employees and workers who pool their minute funds in order to pay up small margins on holdings of a few dozen shares.

Only the Big Survive

Once every few months a minor crash, and at least once every year a major landslide appears bound to happen in the local stock market, and these landslides wipe out a large number of small operators. But again and again the stock market attracts a multitude of small would-be profiteers putting up new money which in the long run never fails to flow into the bigger operators' pockets.

Vacillations of local stock prices during the first two months of the current year continued violent. The record low of price averages in January-February, 1941, was beneath the same period's record high by almost 20 percent in general shares, and by over 30 percent in rubber shares. During the third week of January, the Shanghai general share price average claimbed as high as 336.20, only to drop as low as 274.33 in the second week of February, while for the same weeks rubber share price averages showed a maximum of 347.16, and a minimum of 238.77. As a result of these price movements, tens of million local dollars have been won and lost these last two months on the local Stock Exchange with, however, the winners numbering few, and the losers many.

Many of the Shanghai stock market's vicissitudes are by no means typical of Shanghai, but will be found on every stock market in the world. Stock speculation **per se**, out for differential profits only and refraining from lasting investment, is not at all confined to Shanghai. It is undeniable too, that such pure speculation in critical periods more than once has had expressly beneficial effects on the local stock market on the whole, since speculators repeatedly were willing to take risks which genuine investors declined, halting price crashes and initiating recoveries. It is undeniable, however, that the Shanghai stock market is outstanding for a series of weaknesses and inadequacies which long ago would have been remedied anywhere else, and which the general public ought to be made to realize in order to be in a better position to beware of falling into stock market traps every few months.

"Narrow" Market

The Shanghai stock market is an extremely narrow one. A comparatively small number of big operators and brokers dominates the market. In these circles, it easy to form short-termed combines which embark upon some "ramp" or other in a particular share, a group of shares, or the whole market. The operation of such combines is greatly facilitated by the almost incredible credulousless of a Shanghai public liable to fall an easy prey to manufactured rumors. Finally, into the hands of such combines plays the concentration of the bulk of local stock operations on a small number of the most popular stocks. In the third week of February, for instance, the shares of only certain corporations accounted for 44 percent, and those of six other corporations for yet another 30 percent of the total turnover in general stocks, while in the rubber shares market the stocks of two companies accounted for 70 percent of all transactions.

Irresponsible share-pushing over the whole stock market front seems to be manipulated here at almost regular intervals. Stock prices are being pushed to entirely artificial levels. The multitude of small-scale adventurers starts coming in when prices already are rather high, and expands buying operations when the big interests begin short-selling. Then the market topples, and when after heavy losses the small fry is selling out, or is being executed, the big men buy back cheaply. Such manipulation is assisted by the local market's general disposition to overplay its hand whenever there is reassuring news, and to get panicky when news is adverse, or is being interpreted as adverse. More than once in recent months, the initiators of local stock price pushes lost control, were influenced by the strength of the move they started themselves, failed to shift gears in time, and ended up by being caught in their own net together with the outsiders.

Warnings Before

The writer of this article, during the past ten months, on three occasions publicly warned Shanghai of having boosted stock prices too high, and of running the danger of a crash. These warnings were justified by the crash last May, and the scares last October as well as last month. Yet every time it was pointed out, in various circles, that stock price highs quoted previously to the price crashes had not been excessive, but were on the whole in accordance with the standing and earning of the corporations concerned. Now a man may be in good health and dispose of ample financial resources, yet a life insurance company will hardly consider him a promising business proposition while he happens to hide in a front line trench under shell fire. That is exactly the difficulty with Shanghai stocks. If there were peace, or any assurance that present Shanghai circumstances were likely to continue for years to come, many Shanghai stock prices even at the mid-January height might have been considered cheap.

The trouble is, however, that Shanghai by no means enjoys security, that a great crisis seems lurking immediately ahead, and that there is a fifty-to-fifty chance for Shanghai Anglo-Saxon business—and all but one of the Shanghai stocks are either British or American—to be liquidated completely. Favorable earning conditions of most local corporations result from inflation and cannot be expected to be maintained at the present levels for years to come. In the present situation, Shanghai stock companies tomorrow may be paralyzed, or expropriated, may be cut off from their foreign raw materials and other supplies, or may lose the remainder of their business outlets. In these conditions, the stock of such companies cannot reasonably be considered a safe investment, and dividends vacillating around 10 per cent of market share prices cannot reasonably be considered a satisfactory return. It would appear that any stock paying less than at least 20 per cent per annum, calculated upon the basis of current share prices, is being overpaid, and that all stock of companies with the bulk of their investments located at Shanghai no longer may be regarded a safe investment.

Stocks Unloaded

The man in the street in Shanghai does not seem to realize that recent local share price pushes, in many instances, instead of indicating confidence in local business merely served substantial local interests to stage under-cover withdrawals, and to unload stock at prices favorable to the unloaders. Proceeds of such unloadings frequently are being transferred abroad. Most, if not all, of the recent new Shanghai stock issues served to raise more cash for such transfers. In the case of one rather popular company here, which succeeded in issuing new shares at a premium for the express purpose of investing in local real estate, shareholders many months after were informed that the new capital in reality had been used for the acquisition of stock holdings unrelated to real estate, and that unknowingly they had become partners in a general stock holding company instead of a real estate corporation. Suspicion is ripe that these new stock holdings were acquired from other companies controlled by the same promoters' group, and that those other companies used the proceeds for investments in foreign countries.

In many Shanghai stock companies, the controlling interests are enthroned

(Continued on Page 467)

China Honored Foreign Obligations Until Japanese Thefts Made Task Impossible; Puppets Share Grab

BY FRANK YANG

During the first twenty-one months of the Sino-Japanese War, the Chinese National Government paid out nearly two hundred million dollars Chinese national currency for the service of foreign obligations. The total amount so paid, from July, 1937, to March, 1939, was Ch.$198,764,508 — nearly ten millions monthly. These payments were made during war-time, despite heavy demands on the national treasury for direct war expenditure, as well as for hospital, refugee relief and other work associated with the war and the increasing disruption of China and its economic and financial life as a result of the hostilities.

Through these payments, the value of Chinese bonds has been maintained on both domestic and foreign markets, and further, the determination of the Chinese Government in any circumstances to fulfill its foreign obligations were a vital element in the decision of the American Export and Import Bank to extend credits of U.S.$25,000,000 to the Universal Trading Corporation for Chinese purchases of American goods, the British Government's loan of £10,000,000 for the construction of a 500-kilometer railway between Hsiangkwei and the border of Burma, and the organization of an (Anglo-Chinese) Foreign Exchange Stabilization Fund of £10,000,000. Of this latter, the (British) Hongkong and Shanghai Bank and Chartered Bank subscribed £5,000,000 and the (Chinese) Central Bank and Bank of China subscribed £5,000,000, in March, 1939.

The maintenance of service of foreign obligations was the more remarkable in view of Japanese interference with the Customs and Salt revenues, the two main securities for China's foreign and domestic obligations, and the great bulk of which are now in Japanese hands. In the circumstances, the fact that China, instead of declaring a moratrium—girded its financial loins and paid, despite the hardship imposed upon the Chinese Government and people, is more than commenable.

Japanese Steal Revenue

By the Anglo-Japanese agreement reached on May 3, 1938, for the servicing (during the period of hostilities) of foreign obligations secured on the Chinese Maritime Customs, it was provided that all Customs revenues collected within the Japanese-occupied areas should be deposited with the Yokohama Specie Bank, and the proper quotas for foreign obligations be remitted to the Inspector-General of Customs. These quotas were to service (in ratio to the proportion of Customs revenue collected in Japanese-occupied areas) China's foreign obligations, and were to be treated as the first charge on revenues after deduction of administrative expenses.

This agreement, concluded despite strong Chinese protests, should have served as a serious warning to the British Government, as the Japanese flately refused to fulfil their part of the agreement. Regardless of their promises, the Japanese have been detaining the revenues pledged for the service of China's foreign obligations —with the exception of a single remittance of Ch.$1,500,000 from the Shanghai Customs in June 1938. The Chinese National Government, in order to meet China's obligations to bondholders and foreign governments, advanced Ch.$175,000,000 from other sources, thus meeting payments during the year and a half ending December 31, 1938.

Finally, however, with four-fifths of China's Customs revenues being collected in Japanese-dominated ports, the Chinese National Government was reluctantly forced to take action. On January 16, 1939, the Government instructed the Inspector-General to open special accounts in the Central Bank of China, in which periodically are deposited various sums in respect of obligations secured on the Customs revenues. These deposits are proportionate to the share of the Customs revenues collected in areas not subject to Japanese domination or interference. As a special case, however, the principal and interest payments on the Anglo-German Loan of 1898 (which fell due on March 1, 1939) were met. By January 15 the Finance Minister had paid to the fiscal agents five-sixths of the required amount and funds to meet the balance were already in the hands of the Inspector-General of Customs, so that no further advance was required.

More Honorable Apologies

—BUT WE'RE NOT THREATENING YOU SAM, WE JUST WANT YOUR HONOURABLE CO-OPERATION IN THE CONSTRUCTION OF A NEW ORDER IN THE WORLD.

South Wales Echo

Service During 1939

Service on Customs obligations due during 1939 was as follows:

	Interest	*Sinking Fund*
4½ per cent Gold Loan, 1898	£ 149,919	£ 670,225
5 per cent Gold Loan, 1925	U.S.$1,176,404	U.S.$2,782,850
6 per cent Gold Loan, 1928	U.S.$ 43,377	U.S.$ 424,700
6 per cent Indemnity Loan, 1934	£ 60,300	£ 134,000
5 per cent Reorganization Loan, 1913	£ 971,808	£ 511,440

On March 26, 1939, the National Government took action in regard to loans secured on the Salt revenues—action smiliar to that of January 16 regarding Customs obligations. Here also, as a special case, the interest due April 5 on the Anglo-French Loan of 1908 was paid, as the fiscal agents had the funds for these coupons on hand. As to other payments on Salt obligations, funds to cover the proper share of service on Salt obligations were being set aside in special accounts in the Central Bank of China.

Negotiations have been initiated with the interested Powers, with a view to effecting an arrangement for the service of obligations both on the Customs and Salt Revenues. Payments due on Salt-secured loans in 1939 amount to approximately £690,000, of which almost £300,000 represented interest and the balance the sinking funds. Of this balance £250,000 was represented by the Anglo-French loan, and the remainder by the "Crisp Loan" of 1912.

Railways Scandal

China also borrowed heavily from foreign Powers for the building of railways in the country. At the end of the fiscal year 1935/6, domestic and foreign loans outstanding on China's railways amounted to Ch.$1,442,000,000. Nearly half of the amount, $616,000,000, was in pounds sterling, and a similar amount in American dollars, while $240,000,000 was in Japanese yen. The loans, interest, and commissions were considerably greater than the total capital investment in the railways, which on June 30, 1936, was estimated at Ch.$907,000,000.

China's policy regarding railway loans, during the present war, was to pay interest and principal so long as any section of the line was still under Chinese control. As soon as the entire line was under Japanese occupations, payment of loans had to be suspended. During the months between March and December, 1938, the the National Government paid out £256,706 11s. 8d, Belg. Frs. 2,761,747.15, Flor.631,234.5, Fr.Frs.1,005,031.25, and Ch.$884,000, to various foreign credits of Chinese railways. This was a remarkable achievement for a country at war, with 6,656 kilometers of its railways under enemy occupation and only 3,200 kilometers still in Chinese hands.

The Japanese have never denied the railway obligations. At no time, however, have they made any payments to the owners, shareholders, and bondholders, despite the fact that all the railways under their control have resumed operation, and are enjoying a profitable business in transporting Japanese goods from the coast to the interior. Protests from foreign diplomatic representatives have brought no result — except the standard "military necessity."

The British, whose interests are far the largest, even yet have not been permitted to inspect the railways, or to investigate damage caused to the railways by hostilities. On the management of the Peiping-Liaoning (Peking-Mukden) Railway, the British Chief Accountant was replaced by a Japanese and revenuess collected were deposited with a Japanese bank, instead of with the Hongkong and Shanghai Banking Corporation as stipulated in the loan agreement when the line was built.

Another Japanese Theft

On April 17, 1939, the Japanese organized a North China Traffic Company, to operate all the railway lines in North China outside of "Manchukuo." These

included the Peiping-Shanhaikwan section of the Peiping-Liaoning Railway, the Peiping-Suiyuan Railway, the Kiaotsi (Shantung Railway, the Shihchiachwang-Taiyuan Railway, the northern parts of the Tientsin-Pukow and Peiping-Hankow Railways, the eastern part of the Lung-Hai Railway, and the newly built Peiping-Kupeikow Railway (part of the line from Peiping to Jehol). Capitalized at $300,000,000, the Company operates under a special charter of the Peiping "Provisional Government," Japan's puppet regime. The total capital of the Company consists of a subscription of $150,000,000 by the North China Development Company — with which the new company is associated and in a measure interlocking,—an announced subscription of $120,000,000 from the South Manchuria Railway, and another of $30,000,000 from the Peiping puppet regime. The share paid by the North China Development Company (organized by the Japanese) consists of the North China railways seized by the Japanese.

Japan's complete refusal to acknowledge foreign interests in these railways is evidenced by the North China Traffic Company being organized without the approval of, in fact, without even consultation with, foreign bondholders. It must be remembered that these lines were built with foreign capital, amounting to not less than $500,000,000. The North China Development Company's action is tantamount to theft, since the railways (with the exception of the short Peiing-Kupeikow line) do not belong to them.

Fake Set-up Revealed

Though the railways were supposed under the new arrangement to be operated by the North China Traffic Company, they continued to be operated by the South Manchuria Railway Company. The Director of the S.M.R. was appointed Governor of the North China Traffic Company; 150,000 S.M.R. employees were "loaned" to the N.C.T.C.; considerable rolling stock and other railway materials also were "loaned" by the S.M.R. to the N.C.T.C.

The purpose of creating the new concern was, essentially, to serve as a shield to receive protests from foreign bondholders, while the Japanese collected all revenues obtaining from the railways. Of the Company's nominal capital of $300,000,000, not a single cent has been forth coming in actual cash. The only assets of the concern were the railway lines, built almost wholly with foreign capital.

The President of the South Manchurian Railway, pressed by representives of foreign interests, disposed of hopes that any money would be paid to foreign bondholders. During the first two years' operation of the Traffic Company, he stated, it would not be able to get "out of the red." Only after three years a certain surplus of revenue over expenditure might be expected. Such faint hope as might remain after this statement was further disippated by the outspoken (in this respiect) Japanese press, which stated that the Company would try to negotiate with the foreign bondholders and seek to extend the period of redemption of foreign loans another twenty or thirty years. In other words, the Japanese for quite a long time to come do not intend to make any paymens whatsoever.

Central China Grab

Similar methods were employed by the Japanese in Central China. On May 1, 1939, a Central China Railway Copmany was organized, capitalized at $50,000,000. This Railway Company, a subsidiary of the Central China Development Company, was to operate all the railways ((built by foreign capital) in central China, including the Shanghai-Nanking Railway, the Shanghai-Hangchow-Ningpo Railway, the Soochow-Kashing Railway, the Nanking-Wuhu Railway, and others.

The Shanghai-Nanking and Shanghai-Hangchow-Ningpo Railways, like others, have heavy obligations to British bondholders, the balance of loans outstanding on July 1, 1937, being £2,784,000 for the first-named line and £1,100,000 for the latter. As in the case of the North China Traffic Company, the opinion of foreign bondholders was not asked for.

The Central China Development Company "invested" $25,000,000 (half of the total announced capitalization) in the new Company, the investment being in the form of railways seized by the Japanese. Of the investment supposed to be payable in cash ($25,000,000), the Nanking puppet regime (the "Reformed Government") was put down for a subscription of $10,000,000, the Central China Development Company for $6,500,000, and the "general public" $8,500,000. One-fourth of the total cash investment actually was said to have been made at the time the Company was established.

This record makes it clear that the problem of foreign creditors was not as to China's willingness to pay foreign obligations. The problem was whether she was able to pay. Whenever possible the Chinese National Government has paid, and is continuing to pay. The Japanese, however, are embarking on a gigantic program of controlling all Customs collections salt revenues, and railway operations, but have totally ignored the claims of Western Governments, creditors, and shareholders.

This is a radical break-away from previous tradition. When the Manchu Dynasty was forced to abdicate in 1912, the new Chinese Republican Government took over all the foreign obligations of the Ching Empire. Even before Chang Tso-lin was forced to evacuate Peking in 1926 the Nationalist Government at Nanking agreed to service all foreign obligations contracted by its predecessors, and lived up to its promise. Chinese insurgence, unlike many national movements in other countries, never reached the stage of officially repudiating foreign obligations. All evidences, however, indicate that the "Provisional Government" in Peiping and the present "Reorganized National Government" in Nanking are disregarding and will continue to disregard Western rights and interests, and will concern themselves little or not at all with the problem of servicing foreign obligations.

It must be made emphatically clear, however, that the "Provisional Government," "Reformed Government" and "Reorganized National Government" are not Chinese. They are puppet regimes, taking orders from the Japanese. The Japanese are determined to establish a "new order" in Asia, with the slogan of "Asia for the Asiatics"—or, more precisely, "China for the Japanese." That "a Chinaman's word is as good as his bond" can never apply to the puppet regimes.

"Cutting The Pudding Too Early"

Washington Post.

Japanese Air Raids on Yunnan, Burma Highway Unabated During Week of Inactivity on Ground

Chinese and Japanese ground forces, apart from engagements reported to have taken place in North Kiangsi and Central Anhwei, were comparatively inactive last week, but violent air raids were continued unabated on Yunnan Province and the Burma Highway.

Reports from Chinese military headquarters in North Kiangsi stated that a large unit of Japanese troops near Pengchen (important town in North Kiangsi, near Hupeh border, northeast of Kiukiang) and Hukow launched an attack on Chinese positions at Anchiachu on the other side of the Taipei Lake on February 7. While the Japanese troops were crossing the lake, Chinese defenders launched a counter-offensive, almost wiped out the enemy and sank four of the Japanese transports, reports published by the *Sin Wan Pao* claimed.

Chinese field dispatches received in Chungking from the Anhwei front stated that since February 18, Chinese and Japanese troops have clashed in a series of important engagements in Anhwei province near Hofei and Tsaohsien on the north-west and north-east corners of Tsao Lake, in Anhwei Province. After defeating the Japanese at Tsaohsien, the Chinese succeeded in entering Chinchicheng, east of Tsaohsien, Chinese heavy artillery was said to have destroyed the Japanese barracks at Hofei.

Japanese forces last week made extensive claims in their "mopping up" campaign launched in north Kiangsu, where a number of strategic points were reported by *Domei* to have been captured by the Japanese units, among them Hsinghwa, Tungtai and Paochen.

Defection by Gen. Li?

General Li Chang-kiang, alleged by Japanese reports to be the former deputy commander of the Shantung-Kiangsu-Anhwei Guerilla Corps, was reported to have joined the Nanking regime with his 30,000 guerillas operating in the lake district of Central Kiangsu Province. These troops, according to the Japanese reports, were now participating in the current Japanese operations in northern Kiangsu. Chinese circles were silent on the report.

Of particular interest was a military report received in Chungking on February 23, stating that one squadron of Chinese air force flew over Yunchen, strategic city along the railway in south-west Shansi, from its base on the south bank of the Yellow River, and severely bombed the city on February 20. One troop train near Yunchen and the Japanese airfield on the outskirt of Yunchen was declared to have been bombed and destroyed by the Chinese planes. Chinese planes were stated to have flown over the Tungpu Railway later on in the same day and inflicted heavy damages along the line.

U.S. Planes for China

The *Shun Pao* on February 24, meanwhile, said that reports from New York stated the Purchasing Commission of the British Government in America had decided to sell 150 airplanes to China. No official confirmation has been received from either side thus far.

Japanese air raids over Yunnan Province were detailed in a *Kuo Min* report from Kunming, stating that a fleet of 51 Japanese airplanes carried out extensive raids on various parts of the Province during February 21 and 22. Targets chosen included the Burma Road section near Paoshan and the tin mines at Kochiu.

One of the Japanese raiders was reported to have been shot down by Chinese anti-aircraft guns at Anning, to the west of Kunming. One Japanese pilot was burnt to death in the wreckage of the plane, while two others landed in parachutes and escaped. A search was being made for the capture of the two men, continued the report.

Other sporadic raids were also reported by *Domei* to have been staged over Kienli, in the vicinity of Ichang, south Hupeh Province; Chungpuchen, in North Kiangsu; and on the Shihmenkai sector, along the Anhwei-Kiangsi border.

"Adolf's Helping Musso"

Chicago Daily News

"Japan'll Help Adolf—If. . ."

Chicago Daily News

Indo-China Joins Anti-Appeasement Group with Flat Rejection of Tokyo's Arbitration on Thai Claims

Flat rejection last Saturday by the Vichy Council of Ministers of Japan's arbitration on Thai claims, whereby the French were to lose one third of Laos Province and one-fourth of Cambodia to Thailand, marked the initial affiliation of Indo-China with the rapidly-growing anti-appeasement group in the Far East. There continued to appear throughout the week every sign that resistance against Japan's southwards expansion movement would be strengthened.

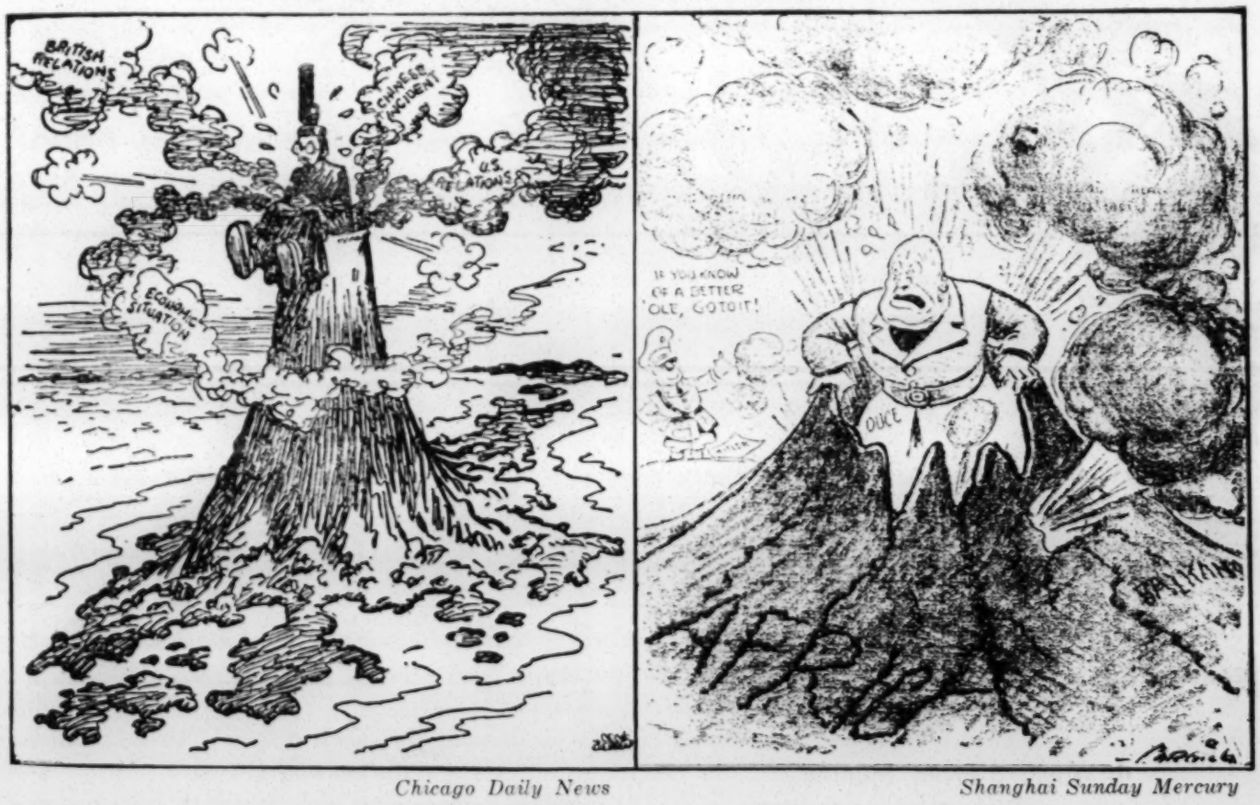
In Indo-China itself, it was revealed by a **Domei** message on Saturday, Japanese demands also were meeting an unexpected display of resistance, the Japanese news service alleging that officer negotiated with the British for the purchase of 200 planes.

Fleet Presence Protested

In the face of these developments, the French group sent to Tokyo for mediation talks took heart enough to protest last Saturday against the presence of the Japanese fleet stationed off the Indo-China coast, **Reuter** stated. The delegation refused to conclude negotiations under this threat.

Apparently as a result of the stalemate against further "mediation" at present, Tokyo announced on Tuesday that at a Japanese request the Thai-Indo-China armistice would be prolonged for fifteen days, while the French refusal to

"Serious Volcanic Disturbances on Two Fronts"



Chicago Daily News *Shanghai Sunday Mercury*

"war-like preparations" were evident in Hanoi and Tonkin. Orders by Vice-Admiral Jean Decoux, Governor-General, were said to have been directed to all able-bodied youths to "stand by for possible mobilization in civil defense", and French war supplies were noted pouring into the two ports supposed to have been dominated by the Japanese since the beginning of the "Southward Expansion" program three months ago.

Other indications of growing resistance on the part of Indo-China included the report that the French colony was adoping economic and military measures in sympathy with the De Gaulle Free French and pro-British interests, designed to check Japanese influence in south-east Asia, according to **Domei** on February 20. One hundred French army fliers arrived in Hanoi, and further air force contingents were reported expected soon in Saigon from Singapore, where a French Indo-China staff accept suggested concessions to Thailand were considered The Japanese compromise plan involved French surrender of considerably more territory than Thailand originally demanded. Territory demanded includes the rich north-west corner of Cambodia, and the important towns of Battambang. Sisophon, and Samrong, to extend as far as the ruins of the famous temple of Angkor Vat. Foreign observers, according to many current sources, saw combined British and American strategy behind the recent opposition to Japanese pretensions. Following the inauguration last week of new export restrictions by the French Chamber of Commerce in Hanoi over Japanese goods, Indo-China prohibited the export of rubber to Japan, according to **United Press** on February 20. Under the new regulations, Japanese firms dealing in rubber were excluded from those firms commissioned for export. It was also rumored by **Domei** the same day that close contact had been established between Indo-China border troops and Chungking forces, whereby supplies were still freely entering China.

Tokyo Bluster Fades

Japanese reaction to the stiffening of resistance was less "blustering" than in any of the weeks since first announcement of the "southward expansion" program. To explain the presence of warships off Indo-China, Mr. Chiuchi Ohashi, Vice-Minister of Foreign Affairs, unconvincingly stated that America and Britain were interested in interfering with mediation efforts by Japan, and that in response, "Japan will keep close vigilance and will be prepared to meet any situation." The "interfering" was surmised as referring to the 40,000 troops recently reported to have been sent to the Malayan border by Britain, and the increase of the Singapore air force to some 1,200 planes.

On Wednesday, Japan appeared to be offering her final attempt to mediate the Indo-China and Thailand armistice terms. A **Domei** report intimated that because of the fact that the period of armistice had been extended three times already, "the compromise proposal must indicate Japan's final offer in the current negtiations aimed at settling the dispute." The proposal would provide for the return to Thailand of the Pakse, Luang Prabang area, and part of Cambodia.

N.E.I. Reversal

Japan's demands on the Netherlands East Indies, which reached tension point week before last when Tokyo refused to recognize the Dutch home government in London, and then reversed the de-

(Continued on Page 464)

Musso: "I'm Still With You"

From PM (New York).

"But the British Don't Know It"

Denver Post

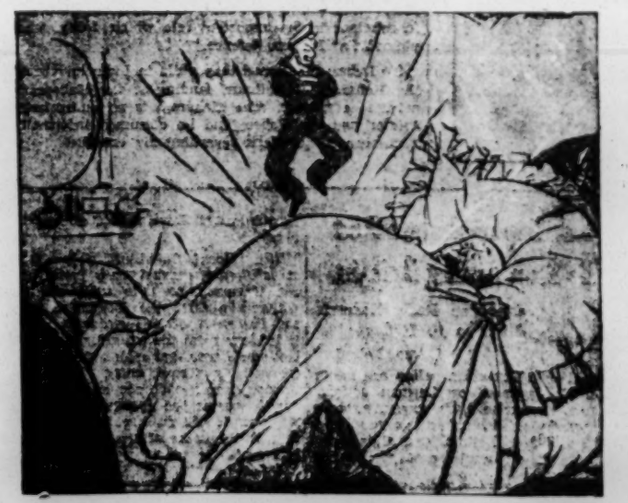
"Keep the Badge, Sheriff, and Finish the Clean-up!"

Daily Herald, London.

"Returning From Munich"

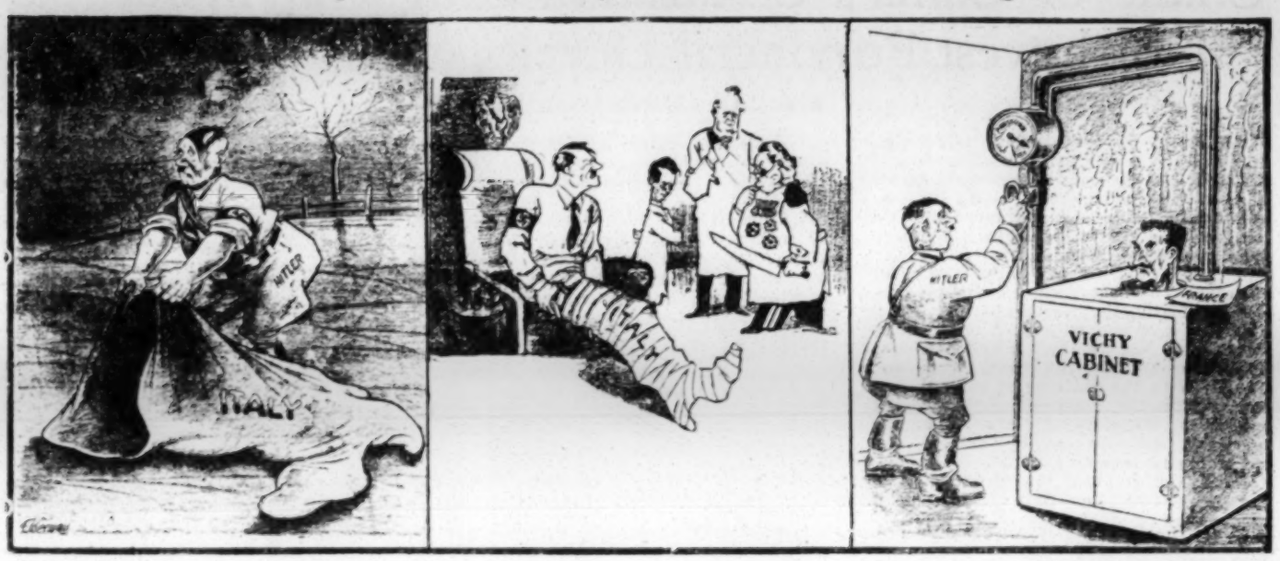
London Daily Mail.

"Musso's Nightmare"



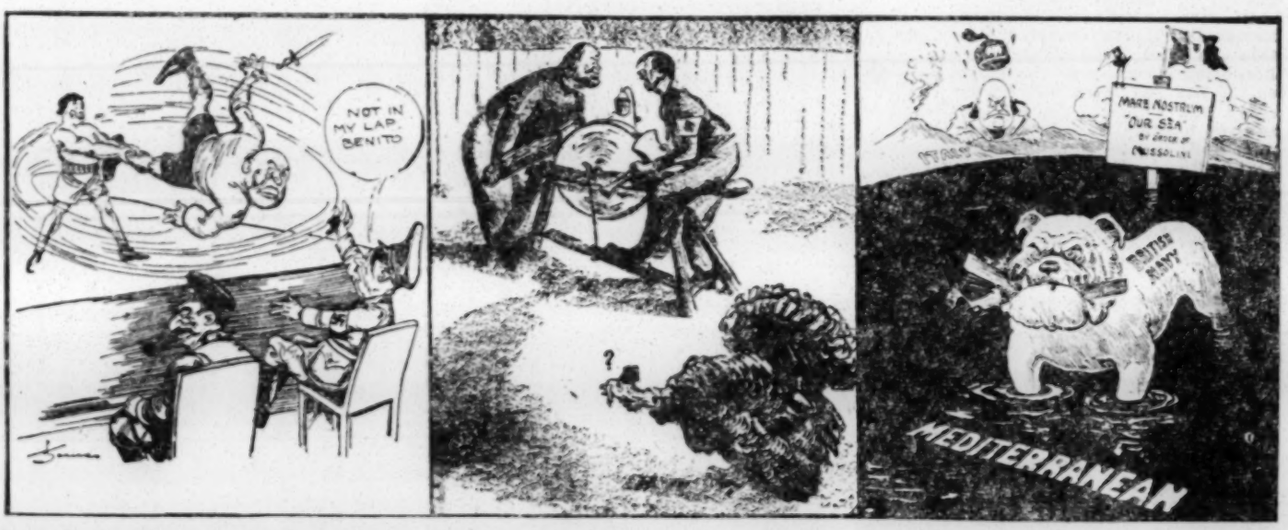
London Daily Herald.

"Holding The Bag" "Amputation" "Turning On The Heat"



Washington Post.

"Greek Arena" "Talking Turkey" "Mediterranean"



Detroit News. *Lewis in Milwaukee Journal.* *Seibel in Richmond Times-Dispatch.*

"Aggression" "Ancient History" "Ouch"

Washington Post. *N. Y. Times and London Express.* *N. Y. Times.*

Cradle of China's Civilization Caught up in Surge of North-west Provincial Development Movement

SPECIAL CORRESPONDENCE*

Neglected for centuries politically, economically backward, and culturally at a low level, the wild Northwest, cradle of Chinese civilization, today is assuming an importance unprecedented in its long and checkered history, forming as it does the background for one of the two major phases of China's war of resistance against Japanese aggression.

Historically, the Northwest has had a glorious past and witnessed the coming and going of many famed Chinese dynasties, notably the Chow, Han and Tang. With the shifting of the political center after the Tang period, however it gradually degenerated into a border territory, accompanied by neglect, desolation and poverty.

In recent decades, the importance of the Northwest was first given official recognition in 1927 after the establishment of the National Government, which took energetic measures to develop it. Since the outbreak of the current Sino-Japanese hostilities and following the Japanese occupation of the coastal provinces, the Northwest suddenly emerged from an obscure border region into a vital base for prolonged resistance and national reconstruction.

Of the provinces comprising the Northwest, Kansu occupied a key position as the center of the region. Bordering Ninghsia on the north, Shensi on the East, adjacent to Szechwan on the south and Chinghai on the south-west, and of particular significance on the path of direct communication with Soviet Russia through its corridor via narrow Sinkiang in the northwest, Kansu is not only a great pulse of China but also the pivotal point linking Asia and Europe. Embracing a wide expanse of arable land and rich in natural resources of great value to national defence, Kansu has a significant role to play in the present war of resistance and also offers good prospects for future economic development.

Notable Progress Made

As a result of vigorous efforts made during the past three years, according to Mr. Li Shih-chun, Commissioner of Reconstruction in the Kansu Provincial Government, the province is making notable progress, particularly in communications, river conservancy and irrigation projects, agriculture and forestry, industry and mining.

With Lanchow, capital of the province, as the center, a network of eight inter-provincial highways has been built, with a total length of 6,244 kilometers of which 2,683 kilometers are in Kansu. They are:

	Length (kilometers)
Kansu-Sinkiang Line (Lanchow to Sinkiang)	2,693
Kansu-Shensi Line (Lanchow to Sian)	704
Kansu-Szechwan Line (Lanchow to Chengtu) (360 kilometers of this line have been completed and opened to traffic)	1,080
Kansu-Chinghai Line (Lanchow to Sining)	229
Kansu-Ninghsia Highway (Lanchow to Ninghsia City)	556
Hauchialing-Shuangshihpu Highway (Southeastern Kansu)	410
Pingliang-Ninghsia Highway	409
Pingliang-Paochi Highway	63
Total	6,244

*Material for this article was obtained chiefly from an article by Mr. Li Shih-chun, Commissioner of Reconstruction in the Kansu Provincial Government, published in the Industry and Chinese Products magazine, Hongkong.

In addition, there are seven inter-country highways totalling 1,037 kilometers: the Lingtao-Tienshui line, 254 kilometers; Tienshui-Paochi line, 255 kilometers; Tsining-Chinan line, 133 kilometers; Tinghsi-Tsanghsien line, 195 kilometers; Taoshan-Hsunhua line, 127 kilometers; Weihsien-Paishuicheng line, 36 kilometers; and Lanchow-Hsikucheng line, 17 kilometers.

Irrigation Projects

Kansu has suffered from frequent droughts and consequent famine. The disastrous 1929 drought still leaves its scar deep in the minds of the Northwest people. Kansu has 17,600,000 mow of arable land, but owing to the lack of adequate water supply, paddy fields occupy only 2,700,000 mow, while the rest is all dry land unsuitable for rice cultivation. To combat the menace of drought, the provincial authorities have devoted special attention to the development of river conservancy works and irrigation projects.

One irrigation canal has been cut at Lingtao, south of Lanchow, and was completed in 1938. The canal is 28 kilometers long and irrigates an area of 35,000 mow of land. Another canal leading from Yungteng to Kaolan, 31 kilometers long and watering an area of 25,000 mow of land, is due to be completed at the end of February of this year. Seven others in various parts of the province have been under construction for some time and are expected to be completed in the course of the year. Two more canals are being built and are scheduled for completion in 1942, while survey work is being conducted for the cutting of seven new ones. When the 19 canals, constructed and projected, totalling 349.80 kilometers, are all completed, it is expected that a total of 1,349,010 mow of land will be irrigated and made productive.

In agriculture, efforts have been made at increasing production in order to meet the demands of the rapidly growing population which has already exceeded 6,000,000. Due to the ignorance and conservatism of peasants, farming me-

Short Way Around the Puppets

Map from Time indicates another route for supplies from the outside world to reach the territory of Free China, and possibly explains certain large cargoes of American merchandise landed at Vladivostok. According to this map supplies for China—landed at Vladivostok—are shipped by Trans-Siberian to China and Lake Baikal, whence they are transported southward over well constructed roads to Urga, thence by camel train to Ningsia, Lanchow, Sian and Chungking. The official Soviet Tass agency denied that Chinese goods were passing over the Trans-Siberian, but other reports alleged that 3,000 trucks were operating on the Mongolian route alone.

thods are still primitive and the output is low. Kansu is specially adaptable to afforestation and animal husbandry, but they were also neglected in the past. In the autumn of 1938, an Agricultural Improvement Bureau was established, charged with the duty of effecting improvements in agricultural, forestry and pastoral enterprises, and in addition, there has since been established a model farm in each of the four administrative districts of the province.

Cotton Planting Boosted

South-east Kansu is the chief agricultural center of the province. Bordering Shensi and Szechwan, the district consists of 15 counties with a population of 1,917,000 people. Although mountainous, this part of the province embraces large tracts of fertile land and is blessed with abundant rainfall. Chief crops growing in this district are wheat, barley, potatoes, corn, kaoliang, beans and rape seeds and ramie. Although cotton growing was introduced there in recent years only, its development has been rapid. At present, there are 100,000 mow of cotton fields, principally along the Wei River. Adopted American cotton seeds are used. In 1940 some 50,000 catties of such seeds were distributed to cotton growers in this region by the Kansu Provincial Agricultural Improvement Bureau. Rape seeds are pressed to extract oil, while ramie is used for clothing. The annual production of rape seeds is estimated at more than 15,000 piculs, while that of ramie amounts to 1,500,000 kilograms. Abundant medicinal herbs are also produced in the mountain valleys in this region.

To develop afforestation, care has been taken to preserve virgin forests and plans are being made for the development of new ones. During the past few years, eleven forests, totalling 333,350 square li, have been planted in southern Kansu, and five nurseries established in Weihsien, Tsinyuan, Tinghsi, Kaolan and Lanchow respectively. The forests produce numerous kinds of lumber notably pine, cedar, and willow.

Improvement and expansion of pastoral enterprises have been carried out simultaneously. Besides engaging experts to study the methods of improvement, the provincial authorities have set up an institute for the training of a competent personnel. Four cattle raising farms have been established. The steppes of South-east Kansu make good pasture land for sheep, cattle, horses, and other domesticated animals. The district produces some 35,000 kilograms of wool a year, mostly around Mienhsien. Small woollen mills and carpet and felt manufacturing firms are found in most of the counties.

Industry Lacked

Kansu is still backward in industrial development. Not to speak of large scale modern factories, even the native handicraft industry leaves much room for development. At present, there are four government-operated factories under the direction and management of the Provincial Department of Reconstruction. They are a contractors' workshop, a machine works, a paper mill and a chemical works. In view of the abundant supply of wool, numerous small hand spinning and weaving factories have sprung up in different parts of the province since the start of the war. The woollen piece goods and blankets produced in Kansu are meeting a popular demand for military and civilian wear and are welcomed in many parts of China.

Although Kansu is rich in mineral resources, few mines have been developed. Coal is abundant. Next are gold, manganese, nitre and petroleum. There are now five large scale coal mines, one gold mine, one manganese mine, and one nitre mine. Under the direct control and management of the Department of Reconstruction, is a coal mine at Ahkancheng near Nanchow, which supplies fuel for household and industrial consumption in the provincial capital. The three districts of Hweishein, Liangtang and Chenhsien have seven mining concerns, one of which produces 3,000 catties of iron per day. Several coal mines are worked in Tienshui, Liangtang, and Chingan. Gold, mercury and china clay are also found.

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NEW YORK BUFFALO LONDON

U.S. Embargo Against Japan May Reach "Total" War Footing in Near Future; Anglo-American Action Seen

Behind the discreet silence in which Washington last week checked and counter-checked Tokyo's not extremely adroit moves in the Far East, usually reliable sources indicated that opinion was hardening in favor of the imposition "within a few days" of trade bans that would place America's embargo against the Asiatic end of the Axis close to a "total" war-time footing. President Roosevelt denied knowledge of further restrictions last Saturday, but throughout the week reports continued that presidential action was expected, and that through Mr. Harry Hopkins, President Roosevelt's confidante and "personal envoy" to London recently, suggestions had been received whereby Britain and America might cooperate in an extensive and inclusive trade blockade of Japan.

Developments of the past few weeks have already closed a number of the embargo loopholes obvious through the winter. Effective February 10 was the State Department order that license restrictions would be extended to include all petroleum equipment, including refining machinery, drilling tools, and chemicals. A little earlier, bans on the export of metals were enlarged to cover copper, zinc, nickel and subsidiary chemical products. Cotton was likewise placed under export license surveillance, and it was expected that similar products having a possible use in war equipment would be included.

Extension of the licensing system throughout the Western Hemisphere likewise began to show results. Dr. Getulio Vargas, President of Brazil, announced on February 7 that exports of all chemicals, aircraft materials, and building or machinery equipment would be reserved for the United States and Britain. Negotiations also were started whereby America would arrange to buy all of Mexico's exports of the same character.

Among the new restrictions predicted, the *New York Herald Tribune* last Sunday thought that licenses would be extended to such supplementary war materials as sole leather, carbon black, jute, shellac, borax, glycerine, and vegetable oils. It was predicted also that the order would come through President Roosevelt in the next few days", and might operate against Russia and Germany as well as Japan.

Were the United States to respond to Britain's reported suggestion of an Anglo-American trade block, as mentioned in a United Press account from London, combined they could restrict Japan to a normal or sub-normal peace-time import and export trade, which in a short time would force Japan into a more peaceful attitude. By arranging to buy dominant amounts of key materials from South America, the block would close Japan within her own "sphere", as yet self-sufficient only in verbal statements. At the same time, by a combined control of two important contraband enforcement stations, one in the Caribbean and one in the Phillipines, the two democracies could guard all available shipping ports against favoring dictatorial aggression.

That Japan can withstand for long even the existing embargo is doubted by what statistics are available on the existing economic conditions in the country. Statements such as those by Major-General Korechika Anami, Vice-Minister of War, and Rear Admiral Zenshiro Hoshina, Diretor of Navy Munitions, as reported through *Domei* on February 15, are to the effect that Japan's steel and petroleum supplies are "at present sufficient to meet national defense requirements". Indications that Japan does have large stocks of reserve raw materials are borne out by her extensive buying over the past few years, and that apparently she has not yet needed to call upon some sources such as the circulation of nickel coins, still in evidence to some extent.

In event of further military action on Japan's part, however, her necessary supply of war materials would be short-lived. Using statistics complied by *Business Week* of November 9, figures show that Japan would have to depend upon a successful thrust into the Philippine Islands and the Dutch East Indies, and at the same time reach complete mastery of Indo—China in order to encompass sufficient sources of raw materials. With America enforcing her present embargo on petroleum products, Japan's only adequate source of oil is the Dutch East Indies. And with Britain enforcing her present embargo on metals and chemicals from Malaya any British India, the Philipines and Japanese-controlled mines together could only account for half of that needed supply.

Regarding the equally important supplementary materials, Japan is in a worse predicament. Tetraethyl of lead, used to step up octane ratings in petroleum for aviation consumption, is obtained solely from the United States, unless Germany can provide a substitute.

The predicament Japan would be in under such circumstances is further brought out by figures disclosed by the Tokyo Bureau of Statistics. Although it is depicted that Japan's industrial labor force has swelled 32 per cent since the outbreak of the China "incident" of 1937, and that in defense industries the increase has been as high as 131 per cent, the same figures reveal the strange fact that workmen in these supposedly high-geared defense industries work less man-hours a month now than they did three years ago, "probably because there is not enough raw material, fuel, and electric power to keep the productive machinery going full blast," according to the beforementioned article.

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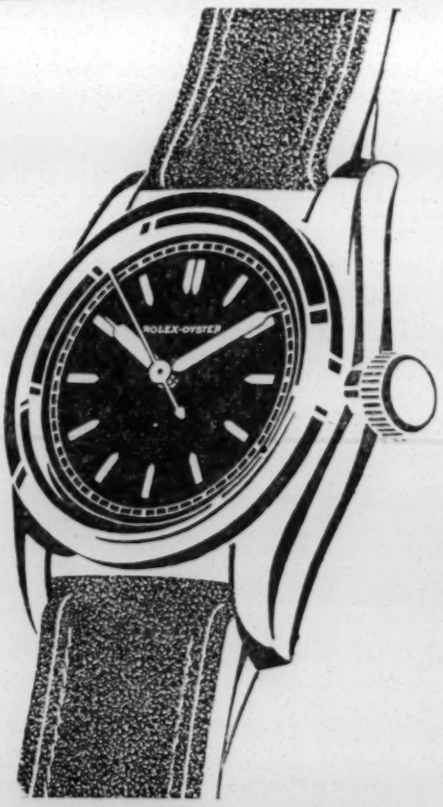

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Yen Said Overvalued Through Speculation

Japanese military yen during the past two weeks of local crisis not only firmed up along with Chinese national currency's exchange value, but even further increased their premium over local dollars. For several months, military yen in local exchange-shop transactions had quoted at a practically stable rate of Ch.$1.60 per MYen 1. The past week saw this rate improve by almost another 10 per cent to Ch.$1.73-1.74. It seems to be as good as forgotten today that nine months ago military yen locally were transacted at a discount against Chinese national currency, and at one time were to be had as cheaply as at 60 local dollar cents for MYen 1, states John Ahlers, in the **Shanghai Evening Post.**

The issue of military yen in Central and South China by no means has decreased, as might be supposed in view of the increasing premium on this particular sort of Japanese-sponsored paper money. On the contrary, the circulation of military yen continues to expand. Nine months ago, it was commonly estimated at no more than MYen 150,000,000. At the present time, Shanghai banking circles are of opinion that it is no less than MYen 500,000,000. As a matter of fact, the issue of military yen has more than trebled, and of late increased considerably more than that of any other paper currency in the whole Far East.

In Japanese quarters, inquiries as regards the reasons of the military yen's great improvement in terms of Chinese dollars were answered with references to the new Japanese commodity controls enforced in the enemy-occupied interior of Central China during the past six months. Under these commodity control systems, wholesale transactions in a large number of Chinese as well as Japanese goods may be effected in terms of military yen exclusively. Numerous such commodities likewise may be sold retail only against military yen. Railway and shipping freight charges as well as passenger fares in the Japanese-occupied Yangtsze Valley regions are being collected in military yen. In these lines, military yen maintain their preferential position even in Wang Ching-wei's supposed sphere of influence in Kiangsu, Chekiang and Anhwei Provinces, while Wang dollars remain completely excluded from all other Chinese territory under Japanese sway.

Speculation Seen

While the commodity controls certainly helped to boost the value of military yen, the latter's improvement over Chinese dollars is not due exclusively, nor even primarily, to this factor. It would appear that military yen, like so many other currencies, have become an object of large-scale speculation. Chinese buying of military yen notes, and to a lesser degree Chinese holdings of military yen accounts, vigorously extended throughout the past nine months, and today hundreds of millions of military yen are being held by Chinese interests without any necessity arising from trade or other current business, but chiefly wih a view to speculation or safeguard of mobile Chinese funds.

It certainly is a negative expression of patriotism, but a positive one of great anxiety on the part of these Chinese wholesale buyers of military yen that for holding purposes they avail themselves of the invader's currency. Most of the Chinese concerned, it is true, have not pegged to the military yen their entire fortune, but hold, in addition to national and foreign currencies, substantial amounts of military yen in order to be prepared for any emergency that possibly may arise,—in order to keep their eggs divided up in as many different baskets as possible.

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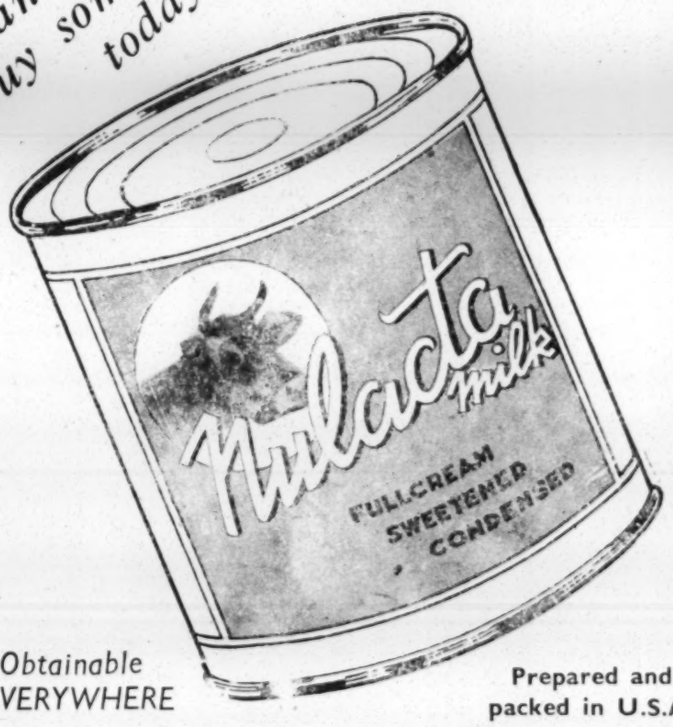

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Wide Chinese circles in the occupied areas as well as at Shanghai clearly are afraid of a hypothetic situation in which foreign currencies might "freeze," Chinese national currency might crash, commodity prices might soar tremendously, and in which Japanese military yen eventually might prove the one stable factor at which commodities might be continuously available at fixed prices.

Vast Purchases

It is the huge extent of these Chinese precautionary purchases and holdings of military yen which chiefly contributed to that currency's recent firmness. Shanghai buying of military yen during the past two weeks of crisis was even intensified, and thereby brought about the latest further improvement of military yen over Chinese dollars. Yet the day of reckoning also in this field may not be so very far off as it might seem to many holders and speculators in military yen. That day, indeed, may be very close. In military yen, too, speculation and hoarding greatly overplayed their hand, and the trend which for a long time has gone in favor of that scrip may suddenly turn against it.

The military yen's quotation in terms of Chinese dollars has improved far beyond all expectations of the Japanese military. Of course, they have done nothing to prevent this rise. But in view of all we know of the military's behavior in occupied China, and of their peculiar conceptions of economic and financial responsibility it would be absolutely preposterous to assume that they might subject themselves to any big sacrifices to prevent a drop of the military yen. They might endeavor to maintain military yen by means of arbitrary new measures of coercion which, however, are likely to be of little avail once the currency starts upon a serious decline. Should large-scale unloading of Chinese holdings of military yen ensue, chances are ten to one for the bottom to drop out of military yen quotations in no time. And then those who believed they would find safety in military yen will realize that they have allowed themselves to be lured into disaster.

YEN-BLOC CURRENCY

The issue of yen-bloc currencies at the end of 1940, according to an announcement made for reference by the Finance Office in the General Budget Committee of the Japanese House of Representatives passed the Yen 8 billion mark.

The totals were Yen 4,381,554,000 in 1938; Yen 6,081,291,000 in 1939; and Yen 8,079,822,000 in 1940.

The details are as follows: (Unit. Yen 1,000)

Kind	*1938*	*1939*	*1940*
Bank of Japan notes	2,754,923	3,679,030	4,777,429
Bank of Chosen notes	321,977	443,986	580,533
Bank of Taiwan notes	140,018	171,169	199,685
Subsidiary coin & small - amount bank notes	541,434	654,364	767,110
Central Bank of Manchou notes	425,738	623,621	947,050
Federal Reserve Bank of China notes	161,962	458,042	715,000 (about)
Mengchiang Bank notes	35,502	60,079	93,015
Total	4,381,554	6,081,291	8,079,822

Note: The note issue of the Bank of Japan includes the issue reserves, as given below, for the notes of the Bank of Chosen and the Bank of Taiwan: 1938—Yen 280,789,000; 1939—Yen 285,337,000; 1940—Yen 324,543,000.

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China's Parallel Policy of Resistance and Reconstruction Producing National Economic and Social Revolution

SPECIAL CORRESPONDENCE

Generalissimo Chiang Kai-shek's parallel policy of resistance and reconstruction is producing in Free China a country-wide economic and social revolution aimed at the realization of a new national order, to arise finally from the ashes of war. To this end mainly was the establishment of the Economic Conference under the Executive Yuan, reported to have started functioning on February 8.

Designed to strengthen war economy, adjust prices, stabilize currency, increase production, and adjust supply and demand, the conference was headed by Generalissimo Chiang Kai-shek, President of the Executive Yuan, as Chairman, and Dr. H. H. Kung, Vice-President of the Executive Yuan, as Vice-Chairman, with the rest of the Ministers under the Executive Yuan as ex-officio members.

Details of the objects of the conference were outlined by General Ho Yao-tsu, Secretary-General of the conference, and former Chinese Ambassador to Soviet Russia and Turkey, in Chungking on February 10. "The Conference," said General Ho, "will be the supreme organ of Chinese economic administration. Not only will it reconcile theory with practice, but it will unite planning and execution in a single organism, with the object of assuring a complete victory."

Replaces War Council

It is interesting to recall that the 7th session of the Central Committee of the Kuomintang had decided to establish a Ministry of Economic Warfare, but technical reasons made it impossible to do so. There were then recommendations to form a Ministry of Economic Defense, a Bureau for the Control of Supplies, and a Bureau for the Stabilization of Prices. It was finally decided to establish an Economic Conference which would examine all questions pertaining to national defence and economic affairs.

That food is one of China's vital war problems and may become a decisive factor is obvious. Traditonally agricultural, the nation is now stressing modernization of farming in order to achieve the greatest possible output as part of its war effort. It was in pursuance of this policy that Chungking recently abandoned the policy of issuing only short term loans to peasants, replacing it with a policy of long term loans designed to permit farmers to invest in modern implements, improved seeds and better fertilizer. To increase national food production, the Government's program for the present year was adopted by the Ministry of Agriculture and Afforestation under the personal supervision of General Chen Chi-tang, Minister of Agriculture and Afforestation.

Credits Reorganized

The entire rural credit system, will be improved too, the readjustment of the scope of the business of the Agricultural Credit Bureau just having been completed by the Ministry of Economics. Beginning this year, it was learned, agricultural credit loans, which formerly were extended by the Agricultural Credit Bureau, will be extended exclusively by the Farmer's Bank of China. The reorganization of the Agricultural Credit Bureau will be taken place next month, so as to enhance its administrative efficiency. Dr. H. H. Kung, will be appointed Managing-Director of the Bureau.

The existing national Cooperative Movement, which has contributed so substantially to the rural public, wounded soldiers and war refugees, is expected to gain a new impetus with the Chungking announcement that a National Conference of Chinese cooperatives will be held in Chungking early next April. Leaders of the various cooperatives in China, experts, and officials will take part in the conference. In order to strengthen the economic blockade against the Japanese-occupied areas, the Ministry of Economics has issued a circular order to the local authorities

in the various war zones, instructing them to redouble their efforts in developing the Cooperative Movement. The local monetary organs are urged to assist all approved Cooperative enterprises.

Industrial activities in various unoccupied areas are also believed to have recently reached a peak as reports from different informed quarters all pointed to such a tendency. From Chungking came a *Kuo Min* report stating that the Szechuan Provincial Government had decided to establish four banks for promotion of the sugar, fuel oil, iron and coal industries, within this year. The bank for promotion of the sugar industry will be inaugurated in March, with the rest to be established respectively in June, September, and December.

China's north-west is abundant in natural resources. *Kuo Min* reported recently from Lanchow that three petroleum oil wells had been drilled and developed in an undisclosed district in Kansu by technical experts specially despatched by the Ministry of Economics last year. Plans were being made to drill another well in the near future. The quality of the oil derived from the Kansu wells was analyzed to be of higher grade than the usual Soviet Russian oil. In order to facilitate industrial development in the north-western provinces, the Ministry of Economics has established a north-western office of the Industrial and Mining Readjustment Bureau. The Office will devise measures to encourage public investment in industrial enterprises in the north-west.

Overseas Chinese Invest

Overseas Chinese have proved to be staunch supporters of war time industries in Free China, and, according to a *Havas* report from Chungking, capital invested in Free China by overseas Chinese since the beginning of the Sino-Japanese hostilities amounted to some $800,000,000, half of which was sent through Hongkong. In addition, charity contributions from Chinese living abroad at the end of last October totalled $294,396,357. Singapore led the list of contributors with $125,000,000, followed by the Netherlands East Indies with $87,000,000, New York with $36,000,000, the Philippine Islands with $26,000,000 and San Francisco, Hongkong and Siam with $10,000,000 each. Chinese residents in Australia led the list of individual donations.

Kwangtung, Kweichow and Kansu provinces recently were reported to be preparing for the promotion of cotton and silk production. In Kwangtung, the Kwangtung Provincial Bureau of Agriculture and Afforestation is planning to establish a Silk Experimental Institute for the promotion of the silk industry. More than 20,000 mow of land were reported to have been set aside in the West River for the cultivation of mulberry trees. The Kweichow Provincial Government also has adopted a new plan for the promotion of cotton cultivation in 1941. The acreage of the cotton fields will be increased to 10,000 mow this year in comparison with 6,800 mow last year, while cotton production is expected to reach a value of $5 millions. In Kansu, the Provincial Department of Reconstruction has divided the province into three cotton-producing areas. A fund of $440,000 was reported to have been raised for the purchase of cotton seeds of superior quality for cultivation in this province. Furthermore, a cotton promotion Committee, has also been organized to supervise the promotion of cotton cultivation.

Savings Campaign

The First National Savings Campaign, which lasted from September 18, 1940, to January 28 this year, was recently reported to have been brought to a successful conclusion as the $200,000,000 goal set for the campaign was easily exceeded. The grand total brought in by the campaign was reported by *Kuo Min* to have amounted to $209,530,000. Taking provinces as subscription units, the following statistical table was compiled by *Kuo Min*:—

Chungking	$32,830,000.
Yunnan	24,000,000.
Szechuan	19,490,000.
Fukien	15,000,000.
Kwangtung	14,570,000.
Shanghai	11,000,000.
Shensi	10,000,000.
Kwangsi	9,470,000.
Kansu	8,370,000.
Kiangsi	8,000,000.
Hunan	8,000,000.
Kweichow	8,000,000.
Chekiang	5,000,000.
Honan	2,800,000.
Hupeh	2,000,000.
Anhwei	1,000,000.
Overseas Chinese	$30,000,000.

Detailed reports of subscriptions in several other provinces have not yet been received. Meanwhile, it will be noted that Shanghai alone, owing to the exceptional circumstances prevailing there, fell far short of the $50,000,000 mark set for it.

China's national debt, according to a recent *Havas* report from Chungking, quoting semi-official quarters, amounts to CN$13,078,000,000 at the present rate of exchange, excluding credits recently granted by foreign countries.

This sum is made up as follows:

1. The national debt existing before the outbreak of the Sino-Japanese hostilities, and amounting to $4,300,000,000.
2. Domestic loans in Chinese currency amounting to $3,430,000,000.
3. Domestic loans in foreign currency and in customs gold units, as follow:

   Customs Gold Units $100,000,000
   Pounds Sterling 20,000,000
   U.S. Dollars 100,000,000
   amounting to CN$5,348,000,000 at the present rate of exchange.

New Rubber Factory in Kunming

Photos by Lida Young

A group of Chinese from Malaya have established in Kunming a factory for the reconditioning of motorcar tires. Above are a number of pictures showing the section of the factory which is being used for re-treading old tires. The increased traffic on the Burma Road and other new roads in interior China has greatly stimulated the development of garages and other industries concerned with motor transportation.

The pictures show (1) worn tires being smoothed by hand; (2) repaired tires back in use; (3) large stocks of used tired stored for use; (4) machine used for smoothing and repairing tires.

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Crime Wave Again Sweeps Puppet-Controlled Areas as Li Chih-chun Makes Covert Threat to Settlement

Shanghai's crime wave last week almost touched the all-high mark threatened in a statement issued by Mr. Li Chih-chun, Nanking Minister of Police, on February 23, when he declared "that the policy pursued by Chungking will ultimately spell the doom of that refugee regime." Last week's crime wave, however, was no child of the Settlement, nor could it have washed from the wartime capital; once again terrorists were at large mostly in that area over which "76 Jessfield Road," known to the Settlement Police as the hideout of thugs, bandits, gangsters, gunmen, in short, the City's underworld, holds malodorous sway.

Ballistics reports two years ago showed that ninety percent of the armed crimes in which clues were left by way of pistols seized or bullets recovered, involved the employment of "hot" weapons, and firearms stolen from Chinese and Skih Police Constables while they were on duty in the Badlands. Pursued gangsters were known to have sought sanctuary in "76 Jessfield," from which last week puppet Police Commissioner Li delivered a covert threat that if the Settlement and Concession authorities failed to stop terrorism, he would!

Conditions are such in the districts over which no fewer than three separate forces—Japanese, local puppet police (under Mayor Chen Kung-po), and Mr. Li's sorry imitation of the Gestapo—claim policing control, that the lives of even their own sympathizers are in danger and last week one Japanese soldier was compelled to pay the full penalty for their callous carelessness, another soldier was wounded, while a Japanese Naval Landing Party rating was shot at by gunmen in the Yangtzepoo district, all in broad daylight on February 26. Far removed from this area, but under puppet police control, and on the same day, Tsao Ka Doo, in the "Badlands," was the scene of the attempted assassination of Wang Yung, believed to be an official of Mayor Chen's own police.

Gunmen Arrested

Wang Yung, according to information, was leaving his home in Zen Shou Lee, Tsao Ka Doo, when the attack was staged. Lurking in the shadows at about 8.30 p.m. the gunman approached his victim and challenged him. Before Wang could call for help shots rang out and the victim collapsed, to be rushed off later to the hospital with wounds in his abdomen while the gunman made good his escape.

The Yangtszepoo incidents were perpetrated in areas directly under the control of the Japanese Naval Landing Party. At 1.10 p.m. gunmen shot two Japanese soldiers belonging to the Medical Corps, killing one of them, as they were walking along Pingliang Road. One of the gunmen was captured directly after the shooting, while the other succeeded in making good his escape.

The second attack on Japanese armed forces occurred at 8 p.m. when a Chinese fired several shots at a Japanese Naval landing Party Rating on Wetmore Road near Yanchow Road.

Bank Bombed

One of the strangest incidents of the week was the attempted bombing of the Central Reserve Bank of China on The Bund at 10.25 a.m. on February 21. Although dozens of picked armed guards were stationed in various parts of the building, a couple of gangsters were declared to have entered the premises and calmly walked up the stairs to the bank counter. There one of them suddenly made for the Manager's room, but was alarmed by the appearance of an accountant. The men opened fire and bombs were hurled over the counter, after which the gangsters made their escape at the expense of a Bank bodyguard, who was killed on the main staircase. Of all the picked guards posted around the Bank counter none was able to give a coherent account of the incident.

Dens Remain Open

Despite numerous assurances that gambling dens in the "Badlands" have been ordered to close as a result of the tragedy at Farrens, according to well-informed sources these establishments have been given extensions to August 1, which bears out the report that the Special Western District Police Force will not come into existence until that date despite communiques released recently by Commissioner Pan that the inauguration would take place at the beginning of March.

Latest luxury gambling joint to open under the protection of the puppet police in the western area of Shanghai had its grand premiere at 626 Avenue Haig (corner of Edinburgh Road), last Thursday night. This place is reliably reported to be one of the interests of Mr. Elly Widler, who since the withdrawal of charges against him once more last week was seen at his favourite haunts south of the Creek.

Settlement Police, in the meantime, in their determination to clear the Settlement of gambling dens, last week posted public notices for the arrest of three wealthy Chinese wanted for their connection with the den which was formerly established above the Silver Palace on Weihaiwei Road.

The mysterious murder of Baga Singh and the discovery of his mutilated body

on Rubicon Road on February 23 became another of the City's unsolved crimes. The body, terribly cut with a hatchet was discovered by a party of foreigners in the outside roads area. Examination revealed that he had been dead for some time and it is believed that the deed was perpetrated while he was on his way to the Shanghai Sanatorium, at 150 Rubicon Road, where he was employed as a watchman.

Crime Last Week

The kidnapping of Dr. Ting Zong-ying on February 24 in front of his office at 4 Golden City Villa, Bubbling Well Road, and the tracing of his car near Fah Hwa Viliage, a notorious gangster lair in the Badlands, was believed by police to have been cleverly plotted.

On February 25 a Chinese woman was sentenced to 6 years' imprisonment by the First Special District Court on being found guilty of transporting 25 ounces of heroin. Her defence was that she had been ordered to smuggle the dope here by an influential figure in Taichow, which is at present occupied by Japanese forces.

Three Chinese and a Russian attempted to kidnap Mr. Woo Shiu on Ferry Road on February 23. Observing the men to be unarmed Mr. Woo put up a struggle and escaped. Mr. Woo is connected with Chinan University.

On February 22 eight Chinese tried in the District Court for extortion stated that a Japanese was the ringleader of the gang and that he had posed as an official of the Japanese Gendarmerie when they threatened Wu Chi-yuen, the owner of the Whashing Printing Company. The Japanese was handed over to the Consular Police.

A Chinese doctor, Sung Ching-en, and his Japanese wife, Tomako Sawa, were seriously wounded at 10.20 a.m. on February 22 by a gang of Chinese gunmen who entered their heme at Lane 492, House 50 Race Course Road. Dr. Sung has recovered but his wife was reported to be still in a serious condition.

A notorious gang leader was brought down by the Settlement Police on February 19 outside of the Grand Theatre on Bubbling Well Road. According to articles and papers found on the man numerous robberies will be solved as soon as he recovers from his wounds. He was believed to be the ringleader of a gang which raided a Chinese curio shop on Chiaotung Road and stole nearly $200,000 worth of rare curios.

A settlement fireman was slightly wounded last Monday when the second of two time bombs exploded on a shelf in a Japanese bookshop at 331, Foochow Road. Fairly extensive damage was done to the shop, in which, however, none was able to identify the bombs.

U.S. Court Again Delays Copper Case

The $3,000,000 "vanishing copper" case against the Commercial Express Company and its management was postponed for the fourth time Wednesday afternoon, says the **China Press.** Scheduled to open in the U.S. Court for China Thursday morning, the first hearing will take place on March 11, according to the new schedule.

As the case stands today, plaintiffs—the American Trading Company—charge the defendants with "negligence" leading to the loss of $3,000,000 worth of copper coins and ingots from their warehouses. The Commercial Express Company had rented space adjoining that occupied by the copper to Elly Widler, a Swiss subject who had subsequently removed the copper with the aid of—and allegedly working as an "authorized agent" for—the Japanese Armed Forces in Shanghai.

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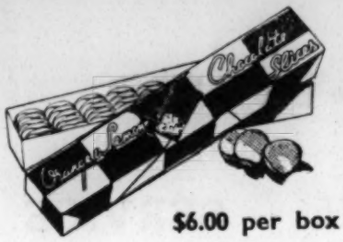

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Need for "Mutual Assurances" in S.M.C. Affairs Stressed by Retiring Official

British and American assurances must be given that all truly local aims and objects of the Japanese community will be given the most earnest and sincere consideration, declared Mr. E. T. Nash, retiring Acting Deputy Secretary General of the Shanghai Municipal Council, in the course of a "last political testament" he released to the press in Shanghai last week.

Mr. Nash, a "Shanghai boy" who left for the United States on Tuesday by the President Coolidge after 25 years service with the Council, continued that "given, such mutual assurances among the several communities there is then no need for the 'technicality' of the Land Regulations to stand in the way of necessary reforms in the municipal administration. That technicality, fundamentally, is that there shall, by our local acts, be no further abridgement of the degree of Chinese sovereignty in respect of the Settlement which the letter of that ancient charter acknowledges and signifies. The essential of the preservation of China's sovereignty is fundamental to what is urged here.

China is sovereign of the Settlement soil. Furthermore, ultimately in municipal affairs, too, the sovereignty of China in the Settlement is unquestioned. Judge Feetham was unequivocal in that insistence. For the time being, however, and consistent with the fundamental policy here urged of the exclusion of any national governmental direction of local affairs, no appeal can or should be made either to Chungking or to Nanking to abridge the Land Regulations Mr. Nash declared.

The Reforms should, it is suggested, be introduced as a purely local measure by the several purely civil bodies representative of the national communities and be municipally documented—by the Councils' acceptance thereof—in an agreement made purely between the international citizens themselves, to which no National Government officially shall be a party, and which therefore does not in any way technically affect the present Land Regulations.

The trend of the "Agreement of Reforms" should be, first to increase the influence of the Chinese population in municipal affairs and, secondly, more correctly to proportion the influence in municipal affairs of the foreign communities. The aim is to revert to those objects envisaged by Judge Feetham and approved by the foreign community ten years ago, viz., "to develop, during the transition period, a genuine system of international partnership in the common interests of China and of the different foreign nations represented in the Settlement." With Judge Feetham it was asked by Mr. Nash, "Is it too much to hope that the communities will combine to remove the difficulties and anomalies which have hitherto hampered the operation of the Settlement system and diminished its usefulness?"

***

The Shanghai Municipal Council on Wednesday gave notice that no person or firm will be accorded a vote for the election of councilors unless the name of such person or firm appears in the Final Voting List which will be issued early in March. Ratepayers entitled to vote were accordingly advised by the S.M.C. to make their applications to the Deputy Treasurer before March 2.

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BURMA ROAD SAID IMMUNE FROM AIR

The Burma Road will never be cut effectively by attacks from the air, nor will the steady flow of traffic along it to and from China be halted seriously except by a land occupation of the road.

This was the conclusion reached in a cable from Lashio on Wednesday from **Reuter's** correspondent who had just completed a ten-day trip down the Burma Road in a convoy of ten lorries.

Such are the powers of ingenuity and recuperation of the Chinese, he declared, that an effective ferry service for fully loaded lorries is now carrying 100 trucks each way across the river every day, and shortly, when more ferries are completed (and new roads built down to them), as many trucks as the road can take will be effectively transported by this means.

The ferry itself is nothing more than a few planks strapped on to empty petrol drums, manipulated across the river by a cable, and pulled by a lorry on shore.

It works to all intents and purposes only at night the whole outfit being dismantled during the daylight hours. Thus there is virtually no danger from Japanese aerial attack.

Even if the ferry were put out of action, its design is so simple that another ferry could be got working in next to no time.

If it is thus impossible to cut the road by bombing bridges, it is even more impossible to cut it by direct bombardment of the surface of the mountainside through which it runs. As it is, the road is subject to constant dislocation by landslide and flood, but the Chinese system of speedy repair by permament gangs of coolies along the road is so good that deficiencies are repaired in a very short space of time. Indeed, during the last 12 months, including the rainy season, traffic along the road was never interrupted for more than 24 hours by such natural hazards.

Indo-China Rejects Tokyo Decisions

(Continued from Page 449)

cision into one of full recognition, were seen this week to have become the faint echo of but one or two of their previous number. In the course of the economic negotiations still under way between delegates from the two countries, **Havas** reported on February 19 that Japan again had submitted formal demands for an increase in the number of laborers allowed to enter the N.E.I., and for the right to "study" the production of oil and oil refining there.

Coming simultaneously with the Dutch orders restricting N.E.I. shipping to territory within easy home distance, and other reports through **Domei** that all Indies ports except two in Norh Borneo have been closed to Japanese shipping, the demands carried little weight.

In deciding to recognize the Dutch Government in London, Mr. Ohashi said that in the event of a British defeat, the Netherlands Government probably would evacuate to the Indies, which was different from the case represented by France in forming a new government within former territory.

"I believe our relationship with the Dutch Government will not be affected by the European problem," Mr. Ohashi stated through **Domei** on February 18. "Consequently, I believe difficulties won't arise so long as the Netherlands East Indies Government remains, regardless of what happens to the Netherlands Government."

Power Shortage Threatens Shanghai

Unless regular coal shipments continue to arrive in Shanghai within the immediate future, the International Settlement faces the possibility of having its supply of electricity curtailed within a month or two, Mr. L. M. Pharis, Vice-President of the Shanghai Power Company, told a representative of **The Shanghai Times** on Wednesday.

"The Shanghai Gas Company faces no immediate crisis," stated Mr. W. J. Brown, secretary of the Company yesterday, and added, "but a difficulty in obtaining coal supplies does exist and has existed since the outbreak of the Sino-Japanese hostilities in 1937. The situation has been becoming worse lately."

The Shanghai Power Company official indicated that three months' supply of coal was in stock at present and unless some shipments arrived soon the Company would not be able to continue for long with the full service. It was pointed out that coal was on order both from North China and India. The shortage of ships was the main difficulty.

Mr. Pharis could not state in what manner the supply of electricity would be curtailed and how the industrial plants and public and private buildings would be affected. He pointed out that the matter was being studied, but hoped that some shipments of coal would arrive shortly so that drastic action would not prove necessary.

Foreseeing the likely shortage of coal supplies, the Shanghai Power Company during the past six months had converted part of its plant to fuel oil consumption. At present 18 to 20 per cent. of the plant is being operated on fuel oil, however, even the oil companies cannot guarantee steady supply of fuel.

The Secretary of the Shanghai Gas Company explained on Wednesday that there was no difficulty in buying coal from India, but the difficulty consisted of getting shipping space.

∴

A conference of Far Eastern shippers has voted to raise rates on outward bound goods on a long general cargo list approximately 25 per cent, effective April 1, it was learned by **United Press** on February 25.

Previously, homeward-bound rates from the Orient were increased 25 per cent. Other long distance rates increased were those for cargo from western Africa and north-bound from the east coast of South America.

Phillips Heads Junior Chamber

R. C. Phillips of Globe Wireless was elected President of the American Junior Chamber of Commerce at the annual meeting of the organization held at the American Club on Tuesday of last week. Other officers elected were, Vice-President, Paul E. Derby; Treasurer, W. H. Mortimer; Secretary, C. G. Flook; Directors, George H. Greene, W. G. Fickett, John T. Janzsen and J. Stephen Clark, the last named being the retiring President. An address on "Present Trends in Free China," was delivered by Kiang Wen Han, Secretary of the National Committee, Chinese Y. M. C. A., who recently returned from an extensive trip in the interior. R. C. Phillips, the new President, said that the American Junior Chamber still had a membership of 42 active members, despite the fact that 16 had been transferred, six had returned home and three had graduated to the Senior Chamber during the year. He said that the present critical situation provided an additional opportunity for service on the part of the members of the organization.

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

February 9

Five flights of Japanese planes raided Kunming, capital of Yunnan province. Another five formations of Japanese naval bombers operating from Indo-China bases raided the Yunnan-Burma route, claiming to have destroyed the Huitung Bridge on the upper reaches of the Salween River, stated a **Domei** dispatch.

In contrast with Japanese statements that the plane carrying Admiral Baron Osumi to Hainan Island crashed a few minutes after taking off from Canton, it was officially claimed in Chungking that the plane was shot down by Chinese guerillas near Chungshan in southern Kwantung province.

For the purpose of strengthening war time economy, adjusting commodity prices, stabilizing the currency, increasing production, and adjusting supply and demand, the Chinese Government established an economic conference under the Executive Yuan, with Generalissimo Chiang Kai-shek as chairman, and Dr. H. H. Kung as vice-chairman, **Reuter** reported from Chungking.

Japanese were reported to have launched an attack in three columns along the right bank of the Yellow River, in the direction of Sinminpao, Western Suiyuan. Heavy fighting was going on in that sector, it was added.

⁂

February 10

Communist tension in Chungking was believed eased as the Communist newspaper **New China Daily** announced it would not suspend publication. A Chungking military spokesman denied rumors that Chinese communists were forming an independent army or that punitive measures against them had been taken or were contemplated.

General Li Tsung-jen, Commander of the Fifth War Zone, announced that Chinese forces had won the battle of Honan Province. The Japanese in a radio broadcast admitted defeat, Gen. Li added.

Outlining the present military situation in China, Gen. Pan Chung-hsi, Assistant-Chief of the General Staff, recalled that the Chinese High Command had for some time abandoned the tactics of defending a single line or a single point at the price of heavy sacrifices. They were now tiring the enemy by striking blows at favourable points. This was what happened in Southern Honan, and resulted in the Chinese forces proving most successful, added Gen. Pai.

The United States was seeking to gain financial control over China by taking advangtage of China's involvement in hostilities with Japan, the Tokyo press alleged.

Dr. Lauchlin Currie, President Roosevelt's administrative assistant in Chungking on an economic fact-finding visit, started studying statistical figures and explanatory pamphlets prepared by the Chinese Government.

Disposal of the China War, and readjustment of relations between Japan and Soviet Russia were two of the three cardinal issues that require immediate solution by the Japanese Government said Mr. Teiichi Muto, famous commentator, in an article in the **Hochi**. The third problem, he stated was internal reform.

A fleet of 12 Japanese airplanes from the French Indo-China base made an unsuccessful raid on several sections of the Yunnan-Burma Highway, **Kuo Min** reported.

⁂

February 11

Generalissimo Chiang Kai-shek ordered military funeral rites for Admiral Baron Mineo Osumi, member of the Japanese Supreme War Council and former Navy Minister, who was killed on February 5 in a plane crash.

The anniversary of the founding of the Japanese Empire was celebrated throughout the country.

Supported by twenty planes, a Japanese detachment estimated at about 5,000 strong, launched an attack on Yuanan, Western Hupeh, in an attempt to relieve pressure exerted by the Chinese in Honan. The town was reported to have changed hands five times, a flanking movement by the Chinese troops finally forcing the Japanese to withdraw.

⁂

February 12

Free China, now in the fourth year of her resistance against Japanese domination, was holding her own against the invader; but to win decisively and recover her occupied territories would require much greater American aid than she had received thus far, according to Mr. John R. Morris, Far Eastern Manager of the **United Press** News Agency, after a tour of Free China.

Chungking circles believed that the recent Japanese drive in Southern Honan was a preliminary to forthcoming developments in the South Seas, **Reuter** reported.

Twelve Japanese and several Chinese attempted to remove the archives of the Chinese General Chamber of Commerce from the Shanghai Bankers' Association at 59 Hongkong Road in Shanghai, but the attempt was foiled by the timely arrival of the Municipal Police.

⁂

February 13

China's national debt amounted to CN$13,078,000,000 at the present rate of of exchange, excluding credits recently granted by foreign countries, according to a **Havas** report quoting Chungking semi-official quarters.

The Japanese withdrawal from Southern Honan was explained by the Japanese army spokesman in Shanghai as their application of "Napoleonic" tactics which designed not to occupy certain positions, but rather to deal a severe blow to the defenders.

⁂

February 14

Chinese field dispatches from northern Kwangtung indicated that Japanese attacks there had ceased, and that Chinese forces, after counter-attacks, had recaptured Lupao, on the West River, west of the Canton-Hankow railway. Other Chinese units, it was said, were converging on Tamshui.

More than 500 modern, bomb-proof air-raid shelters have been constructed in Chungking, and are capable of accommodating 350,000 persons, stated a **Kuo Min** report.

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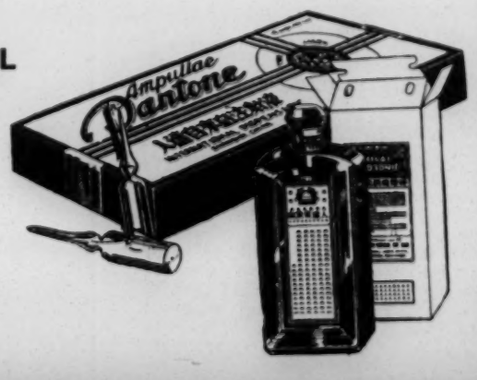

February 15

Prince Teh, chief executive of the "Mongolia Federated Autonomous Government," arrived in Tokyo to show "appreciation".

The Japanese Cabinet Information Board announced that the tense situation between Japan and the United States did not warrant assumptions the two nations would go to war.

(Continued from Page 446)

as loftily as the ruling circles in totalitarian countries. They care little for the opinion of the rank and file of their shareholders and transact above the latters' heads all important business. The small shareholder's meekness encourages the directors. Big corporations with thousands of shareholders hold general meetings with only a dozen men attending. For years past, it has not happened in a single local company meeting that directors' proposals were defeated; and at few meetings only were such proposals ever seriously challenged. It does not seem to enter into the directorial boards' heads that they are supposed to form but replicas of democratic governments with full responsibility before the miniature parliaments of their shareholders, while the latter usually have no conception of the directors as their paid executives. Shanghai shareholders have the directors they truly deserve.

An unfortunate development in recent Shanghai stock market events is that important news on coming profit distributions, as well as on other important transactions of corporations, is ever more often leaking out in the circle of the bigger interests involved before such events are being announced to the general public. As a result, the bigger interests are in a position to take, and frequently do take advantage of their advance information to the detriment of the uninformed outsiders. In this as well as in other respects, the state of affairs in the Shanghai stock market is not what it ought to be, yet occasional attempts at remedy thus far produced little or no tangible results. The multitude of the small operators and speculators still continues to operate unaware of the perils they run.

American C.O.C. Holds Annual Meet

The American Chamber of Commerce held its annual meeting at the American Club on Friday, Feb. 21, with more than 150 members and guests present. The following directors were elected: N. F. Allman, P. H. Bordwell, George Bourne, A. C. Cornish, C. S. Franklin, A. B. Henningsen, P. F. LeFevre, J. A. Mackay, J. J. Mokrejs, L. R. Moore, J. O. Nichols, L. M. Pharis, A. E. Schumacher, A. W. Turner and C. M. Wentworth. Talks were made by U. S. Harkson of Henningsen Produce Company and A. Bland Calder, Assistant Commercial Attache. The meeting concluded with the exhibition of two recently arrived films, one a "March of Time," and the other a Paramount Newsreel, giving President Roosevelt's address at a joint session of the Senate and House of Representatives in support of the Lend-Lease Bill. Guests at the meeting included, Frank P. Lockhart, Consul-General; Judge Milton J. Helmick of the U. S. Court; Rear-Admiral Glassford, Commander of the Yangtsze Patrol; Col. DeWitt Peck, Commander of the U. S. Fourth Marines; Dr. R. J. McMullen, recently nominated for the Municipal Council and Miss A. Viola Smith, U.S. Trademark Registrar.

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Who's Who in China

Koo Yee-chun: banker and financier, born at Huai-an, Kiangsu, in February 1900; B.A., National University of Peking, Peking; went to U.S.A. in 1921, M.A. Ohio State University and M.B.A. New York University; Returning to China in 1924, he joined China Foundation for the Promotion of Education and

高葆崧先生肖像

Koo Yee-Chun

Culture as Financial Secretary; served in Chung-foo Union Bank as Sub-Manager; appointed Counsellor of the Executive Yuan of the National Government; member of Chinese Delegation to Washington for the negotiation of the Silver Pact, March, 1936; President of the Kwangtung Provincial Bank, Canton, August, 1936; Member of the Executive Committee of the Kwangtung Provincial Government and concurrently Commissioner of Finance, 1939; Director of Provincial Anti-Smuggling Bureau and concurrently Director of Bureau of Inspection on Transportation of Kwangtung, Ministry of Finance, 1940; Chairman of the Economic Commission of Kwangtung and Kwangsi; in November, 1940, he was made Deputy Secretary-General of the Central Planning Board, and later appointed acting General Manager of the Farmers' Bank of China; decorated in 1937 with Brilliant Jade Order of the Fourth Grade; address: The Farmers' Bank of China, Head Office, Chungking, China.

Japanese Deprive G.M. of Gasoline for One Month

The American-owned firm of General Motors, Japan, Ltd., subsidiary of the large General Motors Corporation of the United States, was deprived of gasoline for a period of 30 days, according to a report in the Mainichi. The action was taken in retaliation for the Company's failure to notify the Japanese authorities regarding a reduction in plant staff and practical discontinuance of work "while continuing to receive its quota of 300 gallons of gasoline monthly," stated the account. It was alleged that the General Motors' plant in Japan had reduced its staff to 60 men and practically had ceased work "without notifying the authorities." It was charged that the gasoline supplied to G. M. was sufficient to operate 100 taxicabs for an entire month. The G. M. plant in Japan is located at Osaka.

Men and Events

Martin G. Scott, U. S. Treasury Attache, stationed at Kobe, has returned to Japan from a trip to Washington.

*

Gen. Jose Luis Amezcua, recently appointed Mexican Ambassador to Japan, was scheduled to depart from Mexico City for Tokyo on March 1.

*

Kumataro Honda, Japanese Ambassador at Nanking, who went to Tokyo to report on conditions in Nanking, was scheduled to return to China this week.

*

Shinro Miyazaki, recently appointed Japanese Minister to Iraq, departed from Kobe on the NYK liner Anyo Maru enroute to his new post on Feb. 21.

*

Harry Hussey, formerly well known as an architect in Peiping, but now retired, departed from Shanghai for the United States aboard the President Coolidge this week.

*

E. T. Nash, who recently resigned as Deputy Secretary of the Shanghai Municipal Council, departed this week for the United States. Mr. Nash was connected with the government of the International Settlement for 25 years.

*

Dr. Lauchlin Currie, President Roosevelt's Special Envoy to the Chinese Government, was scheduled to depart from Chungking for Hongkong on his return journey to Washington on Thursday, Feb. 27.

*

According to a **Transocean** report from Chungking on Tuesday, Feb. 25, three Tibetan delegates are on their way to Chungking from Lhasa in order to report to the Chungking Government on conditions in Tibet. The delegates are expected to arrive in Chungking in April.

*

Yakichiro Suma, recently appointed Japanese Ambassador to Spain, presented his credentials to General Franco at Madrid on Feb. 21. In an interview with the German **Transocean** service, Mr. Suma said that "Japan had always considered herself as a guardian of world peace."

*

Prof. Wm. R. Johnson, director of religious education at Nanchang Academy has returned to China from furlough in the United States. Mr. Johnson is now assisting Dr. John E. Baker in connection with the relief activities of the American Red Cross.

*

According to the **Tairiku Shimpo**, the Japan Board of Tourist Industry has launched a drive to increase travel between China and Japan. It should have occurred to the **Tairiku Shimpo**, being a military organ, that one of the greatest ways of promoting travel between China and Japan would be the evacuation of the Japanese Army from the Continent.

*

George Krainukov, representative of Universal Newsreel and one of the best known news cameramen in the Far East, departed for the United States on the President Coolidge this week. Mr. Krainukov was born in Russia and resided in China for 18 years, in which time he photographed most of the wars and other developments. He has received numerous prizes and monetary awards for sensational pictures, including the Nanking Road bombing at the outbreak of the Sino-Japanese war, Mukden Incident, Lukouchiao "war" between Japan and the Soviets in 1937 and most of the outstanding developments in the war to date.

The Anhwei provincial government will shortly establish a new college of political science at Lihuang, according to **Kuomin** report. The school will be headed by Prof. Liu Chen-ju and some 300 students are expected to enroll in the autumn session. It will have four departments, Education, Political Science, Law and Economics.

*

The National Government on Feb. 23 announced its intention of issuing a mandate of commendation in honor of the late Chin Hua-ting, city editor of **The Shun Pao**, who was recently murdered by gangsters in the employ of the Nanking puppet regime. The Government also will grant a pension of $20,000 to the family of the deceased editor, in recognition of his loyal and patriotic service to the nation.

*

The Sino-American Cultural Association at Chungking held a reception on Washington's Birthday, which was attended by a large number of Americans and Chinese in the wartime Capital. Guests included Dr. Lauchlin Currie, Special envoy of President Roosevelt, and Nelson T. Johnson, U. S. Ambassador. Dr. H. H. Kung, Vice-President of the Executive Yuan and Minister of Finance, presided at the meeting and delivered an address.

*

National Tsing Hua University, previously in Peiping, but now located in Kunming, will send 16 of its graduates to the United States for advanced studies. The students have indicated their intention of specializing in Chemical Engineering, Agricultural Chemistry, Mineralogy, Metallurgy, Mining, Soil Analysis, Farm Irrigation, Automobile Engineering, Aeronautics, Wireless Engineering, Fortification Engineering, tank construction, surgery, Pharmaceutics, Industrial and commercial administration, economics and history.

G. Borborkowsky, native of Berg, Germany, and employed for the past three years by an export firm in Kobe, has become a Japanese subject, according to a report in the **Kobe Shimbun.** Several years ago Mr. Borkowsky married a Japanese woman and in addition—stated the paper—he purchased a burial lot in Kasugana cemetery, "thus indicating his intention of spending all his life in Japan."

*

Japanese cavalry is now being fed on used tea leaves from the private homes of Kobe, according to a report in the newspapers of that city early in February. According to the Mainichi Japanese military horses thrive on used tea leaves, hence school children have been mobilized to collect the leaves from private homes throughout the city and notices have appeared in the press urging the people to save their old tea leaves. One neighborhood association had saved 25 pounds of leaves for this purpose, said the report.

*

Large numbers of Japanese in the Hyogo section of the Kobe-Osaka district were poisoned last year as a result of eating such articles of food as fried eggs and various types of fish, including sardines, refrigerated salmon, cuttlefish, shrimps and globe fish. The total number listed was 808 of whom 56 died, stated the report. The number poisoned by eating sardine "tempura" was 273. Those poisoned because of eating fuga, or globe fish, numbered 15, with eight cases listed as fatal. The number poisoned by fried eggs was stated to be nearly as large as those poisoned by sardines, but the report failed to state why fried eggs are poisonous in Japan. One man was reported poisoned by drinking soup, which contained the butt of a cigarette, another from eating Korean egg-plant seeds and a third from drinking gasoline.

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Li Ta-yang, District Magistrate of Hwaiyuan, northern Anhwei, was arrested and will be tried by military tribunal on a charge of deserting his post. According to report by **Kuomin** from Lihuang, the district magistrate deserted his post recently when the Japanese launched an attack on Hwaiyuan.

*

The National Government on Feb. 25 issued mandates conferring posthumous honors on Tsao Fei, Lin Jih-tseng, Ting Shou-kang and Li Tsung-yen, Chinese aviators who were killed in action against the Japanese forces. Tsao Fei was given the posthumous rank of Major and Lin Jih-tseng was granted the rank of Captain. Messrs. Ting and Li were given the honorary rank of N.C.O.

*

A. B. Henningsen, General Manager and Director of Henningsen Produce Company, was elected President of the American Chamber of Commerce at a meeting of the newly-elected Board of Directors at the American Club on Monday of this week. Other officers elected included, James O. Nichols, Vice-President; A. E. Schumacher, Treasurer; James M. Howes, Secretary. The annual meeting of the Chamber, when 15 new directors were elected, was held on Friday, Feb. 21.

*

The U. S. Department of Justice, early in January, refused to extend the visa privileges of Claudius Dornier, Jr., son of the famous German plane designer. Young Dornier entered the United States 18 months ago, but failed to enroll in an American University as he had promised to do when his visa was originally granted. Dornier, who is 25 years of age, worked as a mechanic in the General Motors Plant in Detroit, on a previous trip.

*

W. J. Davies, British Consul-General at Harbin, has been transferred to Kobe to take over the work of H. A. Graves, who has returned home on leave. Mr. Graves is Acting-Consul-General at Kobe. H. A. F. Archer, former British Consul at Weihaiwei, has been transferred to Harbin to serve in the absence of Mr. Davies. D. W. Kermode, Acting British Consul-General at Mukden has changed posts with C. H. Archer, Consul at Tamsui, Formosa.

*

James R. Cromwell, former U. S. Ambassador to Canada, and husband of Doris Duke, reputedly the wealthiest woman in America, may be appointed High Commissioner to the Philippines in succession to Francis B. Sayre, according to **United Press** from Washington on Feb. 25. Mr. and Mrs. Cromwell recently constructed a palatial bungalow at Honolulu, and both have visited in Shanghai and Manila. It was reported that Mr. Sayre may be recalled for service in the State Department.

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Senator Gerald P. Nye, Republican from North Dakota, declared in an address at New York on Feb. 24, that the United States was planning to "take over" the operation of the Burma Road. He also charged that Washington was engaged in preparations for extensive naval operations in both the Atlanic and Pacific.

*

Wendell L. Willkie, defeated Republican candidate for the Presidency, who recently returned to the United States following a trip of investigation to Great Britain, has been invited to visit Australia. The invitation was sent by the Acting Australian Prime Minister, Mr. A. W. Fadden. The American Chamber of Commerce, American Association and American Legion of Shanghai have cabled Mr. Willkie an invitation to visit Shanghai on his return trip from Australia.

*

Kwang Ping-shun, represenative of the Overseas Chinese National Salvation Association in the United States, arrived in Hongkong on Feb. 24, on his way to Chungking to report to President Lin Sen and Gen. Chiang Kai-shek regarding the patriotic activities of overseas Chinese. According to **Kuomin,** Mr. Kwang said that the Aid-to-the-Democracies (Lend-Lease) Bill was originally designed to assist Great Britain only, but due to the efforts of Chinese in the United States, the Bill was broadened to also extend aid to China." Mr. Kwang flew to Hongkong by Clipper Plane and planned to take the CNAC plane from Hongkong to Chungking.

*

Francis B. Sayre, U. S. High Commissioner to the Philippines, has notified the State Department that Great Britain has officially recognized the sovereignty of the United States over two groups of islands off northern Borneo. The islands belong to the Turtle and Mangsee groups and long had been claimed by the Philippines, although administered by the British North Borneo Company. Final negotiations for the transfer of the islands to U. S. control, must be completed in one year, according to the preliminary agreement. The Philippine authorities recently dispatched members of the Constabulary to guard the islands.

*

Senator Burton K. Wheeler, Chairman of the U.S. Senate Interstate Commerce Committee, on February 14, requested the various radio stations and networks in the United States to immediately supply the Committee with lists of all radio political commentators, announcers, and financial sponsors of programs. He said that numerous complaints had been made to the Committee that radio stations were being used for "propaganda purposes." He said that complaints had become so numerous that an investigation had become necessary. He claimed specifically that political commentators sponsored by certain large corporations had been guilty of giving "one-sided presentations of reports concerning American neutrality and aid to the pending Aid to Democracies Bill."

* *

The Marine Bureau of the Japanese Agriculture and Forestry Ministry has established an extensive trout-hatchery in Shantung Province of China and shortly will ship 600,000 embryo rainbow trout and 4,800,000 spawn of other fish to hatcheries in the vicinity of Tsinan, capital of the province. Experimental hatcheries will be established in some 70 places in the province, according to a report in the **Japan Chronicle.** One of the chief objects of the scheme, stated the report, "was to enable Japanese soldiers stationed in China to enjoy the taste of Japanese fish". It also was thought the plan might contribute toward food production in both countries.

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DIES FIFTH COLUMN

THE TROJAN HORSE IN AMERICA:—A Report To The Nation, by Martin Dies; Dodd, Mead & Company, New York City; 366 pages, price US$2.50.

In bringing important facts to public attention, the Dies Committee has done much useful work. It has performed, indeed, in the best democratic tradition of pitiless publicity of dark truths behind bright pretensions—and just as important in one field as the LaFollette investigations in another during the same period. The chief work of the Dies committee has been in exposing the jesuitical activities of the American orthodox Communist Party through an amazing network of "fronts" for purported democratic purposes, but which were at all times manipulated by professional Bolsheviks to serve the interests of the Soviet Foreign Office. The LaFollette probe was concerned with denial of civil liberties and employment of labor spies and "scabs" by American Big Business. Everyone who really believes in democracy must regard the two investigations as complementary, whatever one's opinion of Senator LaFollette or Representative Dies.

Once such investigations are launched under Congressional auspices and power, they transcend either their sponsors or chairmen although expert examination of witnesses is necessary to bring forth all relevant facts. But everyone who wants to be heard will be heard, while there is power to call those reluctant to testify. So much if not all will be brought out and there can be no denial of defense testimony. At the time the Dies Committee started—a year or so before the Hitler-Stalin pact,—the great American tragedy was the fanatical faith of virtually all liberals and leftists in the Soviet Union. Hitler was a beast, but Stalin was on the side of the angels. Such magazines as The Nation and The New Republic rarely deviated as much as five percent from the Bolshevik general party line. And even where Moscow didn't influence ideological attitude, made-in-Moscow documentation was accepted as gospel truth—for example, in many of the reports of the Foreign Policy Association and in a study of Munich in Foreign Affairs.

It was against such a background that the Dies Committee started to work. Mostly its exposes were but truisms to observers not hypnotized by Moscow. The reviewer was in New York City at the time, and before the first witness was heard by the Dies Committee it was patent enough that such an organization as the American League for Peace and Democracy had not been formed to promote either peace or democracy, but to muster American public support for all policies of the Soviet dictatorship. Yet its "front" was strictly non-Communist "innocents" of the unintelligentsia. The Youth Congress—which involved even Eleanor Roosevelt—was another such Communist stooge. In a convention of the time that the reviewer observed, the Moscow technique was as simple as it was effective. The Chinese delegation, for example, was definitely non-Communist. It was treatedly most tenderly, but kept in the background while pro-Communist delegations monopolized the spotlight and Communist organizers behind the scenes manipulated everything so that only their jesuitically worded resolutions had a hearing. Thus, Fascism was condemned, but not Bolshevism; and Nazi crimes against humanity were glaringly excoriated, but Soviet judicial farces and mass executions were never mentioned.

Great, therefore, was the Red wrath when the Dies Committee began exposing such "fronts" for exactly what they were, and this wrath was duly reflected by such organs as The Nation and The New Republic. The exposes were not without effect, however, in many quarters although it took the Hitler-Stalin pact to disillusion most.

This was partly the fault of Dies as a person, as now clearly revealed by his book, but which was obvious enough all along. There is no reason to doubt Dies' profession of faith in democracy, nor his avowal of opposing equally both the Communist Party and Nazi Bund. Further, in so far as his book summarizes the factual testimony elicited by his committee it is soundly informative. But he is sadly lacking in historical and political perspective. He has studied up on the classical Trojan Horse—which Dimitroff invoked at the Seventh World Congress of the Communist International in August 1935 as the prototype of Comintern policy,—but he indicates no knowledge of any history between Troy and the devious doings of the American Communist Party and the Nazi Bund. Nor does he deal with any "Trojan horses" excepting these. Any organized group whose prime loyalty is to an alien state or international is a "Trojan Horse" by Dies' definition. There are about 20,000,000 Catholics in the United States, and the Catholics were definitely a "Trojan Horse," or "Fifth Column," in Elizabethan England. So were the Protestants in a period of French history. And as this review is written, a New York City grand jury has indicted another variety of "Trojan Horse"—an international combine including the Aluminum Company of America, the Down Chemical Company and I. G. Farben Company for supplying Germany with at least four times as much magenesium yearly as the United States.

Many of Dies' own dicta show why there have been so many leftist "Trojan horses." He charges that the Popular Front in France did much "to prepare the way for Hitler's conquest of the country." It is true that the Popular Front was possible only because of Communist support and impossible in consequence of it, but this situation came about as result of the fact that France's "Two Hundred Families" preferred a treasonable deal with Hitler to a fair deal for French workers. And it was this parasitic right far more than the Communist left who sabotaged national moral and material preparedness.

If Dies only exposed and condemned Red muscling in on the CIO—putting it

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J. B. Davies
Administrator of Estate of
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Shanghai, China.

fairly that Bolshevik purpose was to exploit the proletariat more ruthlessly than capitalists ever have,—he would be on wholly sound ground; instead, he devotes most of his indignation to damning the sit-down strike as "revolutionary and illegal." The reviewer was in London when one of the largest of such strikes was under way in America, and so was able to note with sardonic amusement the contrasting reaction of the Tory London **Times** and most of the American Conservative press. The Times neither saw Red nor wasted words on the morality of the sit-down technique; instead, it pointed out that the real issue was acceptance by American capitalists of the principle of collective bargaining—which was as established in England as the crown and the church. And it may also be observed that there has never been any appreciable Communist influence in British labor unions since the general strike of 1926. Both sides learned some valuable lessons in that episode.

"Economic distress is no justification for treason" says Dies. But it is justification for action to alleviate it, and the reviewer believes he knows his America well enough to state flatly that not one American worker out of a thousand would ever be seduced to treason by the blandishments of professional Bolsheviks if all capitalists accepted the principle of collective bargaining instead of hiring Pinkertons and Pearl Bergers to maintain plutocratic rugged individualism. In brief, it has been the intransigence of so many employers in trying to maintain an outmoded and **illegal**—under the Wagner Act—system that has given Moscow stooges their **only** chance to make "Trojan horses" of labor unions. The reason for this is simple: Bolshevik tactics are exactly on a par with those of the Bourbons, and either can engender the other. In the case of America, crush the Bourbons and you liquidate the Bolsheviks.

Dies sets forth also that 'they ignore the lessons of history" who don't "learn that the principles of Socialism if applied to any country under any conditions will inevitably lead to dictatorship." Apparently, Mr. Dies is totally unaware of the history of the Scandinavian countries where far more of the principles of true socialism were applied than in the Soviet Union, and the result was a social democracy with the highest mass level of living in the world. But the socialism achieved was through political democracy, not in contravention of it.

W. B.

WAR-AND BEFORE

WHY FRANCE LOST THE WAR. By A. Reithinger. Translated from the German. New York, Veritas Press, 1940. 75 pages.

The chief interest in this little book lies in the fact, that despite the title of the translation, it was written before the military collapse of France rather than subsequently. It points out that France due to the 1914-18 World War was practically exhausted financially, and in the period after the Treaty of Versailles became increasingly more weak from the biological standpoint. As a consequence, the writer asserts that the strain of conducting a war would have sapped human and financial resources of France to such an extent that she would no longer be able to maintain her position as a great power. He reiterates the German view—what a misfortune that France, biologically the weakest of the important European powers, should have shunned a sensible and not too difficult adjustment of vital interests with Germany, Italy, and Russia; and instead made herself available for a new coalition war against Europe by England.

B. D. C.

In the United States Court for China

LYDIA SERGIEVSKEY KABELITZ, *Plaintiff*, vs. THOMAS KABELITZ, *Defendant.*	Cause No. 4575 Civil No. 2454 ORDER Filed at Shanghai, China, Feb. 10th, 1941. WILLIAM T. COLLINS Clerk.

The object of this suit is an action for divorce.

WHEREAS, Plaintiff herein, by her attorney, H. D. Rodger, Esq., of Messrs. Rodger & Wiener, has this 10th, day of February, 1941, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 10th, day of February, 1941, the summons for Defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 10th, day of February, 1941, the Plaintiff herein filed an Affidavit to the effect that the Defendant does not reside in China, nor has he resided in China for the past five years, and that defendant's last known address was, c/o Mr. Walter Freeman, 1327 Van Ness Avenue, Los Angeles, California, U.S.A.,

NOW, THEREFORE, it is this 10th day of February, 1941, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the "China Weekly Review," a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sunday and legal holidays, occurring after the 1st day of March, 1941, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

By the Court,
Dated at Shanghai, China,
this 10th day of February, 1941.
MILTON J. HELMICK,
Judge.

BACK ISSUE WANTED

The Review will pay one dollar ($1.00) for each copy of the issue of MARCH 3, 1928 (Vol. 44, No. 1).

Mail the copy or copies with statement to

THE CHINA WEEKLY REVIEW

160 Avenue Edward VII
Shanghai

What People Are Saying

MAGNA CARTA, "W.B." AND "BOW BELLS"

To the Editor:

To conclude (so far as I and concerned) the exchange between "Bow Bells" and myself, I will say that my judgment of the relative humanitarianism of social systems is not in arbitrary Marxian class terms, but on the utilitarian—"greatest good for greatest number" basis, and on that basis I will briefly put two things to him or anyone else who prefers the Communist Manifesto to the Magna Carta.

First, does anyone maintain that an individual as a human being—regardless of how low or high his social origin—was less likely to be unjustly done to death or jailed through trial in an English court than in a court of the Soviet Union?

If there is agreement that there has been LESS injustice from English than Soviet jurisprudence, it seems impossible to me that there could be denial of the historic influence of the Magna Carta in the balance. And I could no more argue with anyone who upheld Soviet justice as superior than I could argue with someone who upheld the Spanish Inquisition.

Second, does anyone really believe that Russian Bolshevism means "a dictatorship of the majority" excepting purely etymologically? Does anyone think that even the proletariat (of Marxian terminology) in a land where both strikes and independent labor unions are outlawed, and the government is in the hands of a small, self-perpetuating bureaucracy, have as many rights, as much political power, and as high standard of creature comforts, as they possess under admittedly very imperfect Anglo-Saxon political democracy? (Full evidence on these points has been presented by Freda Utley and William Henry Chamberlin, and I can personally vouch for the scrupulous, thoroughgoing journalistic honesty of the latter, while his long first-hand knowledge of things Russian is matter of public record). If there is agreement that English democracy (with all its limitations) has brought forth more liberty and a better life for more individuals than Russian Bolshevism ever has, it again seems impossible that there could be denial of the historic significance of the Magna Carta being in the balance. But if anyone really believes that the Soviet system has proved more utilitarian, I could no more argue with him than I could argue with someone who believed in Santa Claus—or Adolf Hitler. For such an argument would involve either a faith that passed all rational understanding, or an attitude that was utterly alien to my own.

W. B.

Shanghai, February 22, 1941.

VULNERABILITY

To the Editor:

I happened to see this letter in **The Chicago Daily News** and it occurred to me that readers of **The China Weekly Review** would be interested in seeing it. The letter was signed by "J.M." and was to the following effect:

"Much is published about the threats from Japan but one never reads anything of Japan's own peculiar vulnerability to attacks from the air. Most of their cities and towns are built of such inflammable material that it is dreadful to imagine what would happen were a few incendiary bombs dropped on them when a favorable wind was blowing.

"Cities like Tokio, Osaka, Kyoto, Nagasaki and ports like Kobe, Shimonoseki, Tsuruga and many others would just be furnaces in a few minutes under such conditions; possibly Yokohama and a few other places might fare slightly but even their outskirts are as bad as the others.

"Of course, it is long way from any American base, but a couple of long-distance planes with light bombs could create havoc in a short time, and a half dozen flying fortresses could burn up the whole islands in 24 hours.

"This may sound inhuman, but after the way Japan has treated the Chinese and even our own Americans don't you think it is time to call their bluff and remind them 'Honi soit qui mal y pense'?"

BOMBER

Shanghai, Jan. 24, 1941

STATUS OF DENMARK

To the Editor:

Referring to your report in your issue Vol. 95, No. 9, February 1, on the Ratepayers' Meeting, you make in the fourth paragraph the statement—"The fact that Mr. Scheel's home country has been taken over by Hitler, and in consequence, he has no legal standing here"—I would like to draw your attention to the fact that although Denmark has been forcibly occupied by a German army, which however does not interfere with the internal affairs of the country, no government neutral in the European war—and China's Government is one of those—has withdrawn recognition of Danish diplomatic and consular representatives, nor would they have any right or reason to do so. Even in England the Danish Minister—although not recognized as acting on behalf of the free and unfettered Government—is by courtesy still accorded diplomatic standing.

READER

Shanghai, Feb. 6, 1941

TAMMANY

To the Editor:

In your issue of Feb. 15 there appeared a reference to an organization which I utterly failed to know anything about. Would you kindly enlighten me as to the reference to the directors of Tammany Hall "who would blush with envy at the manner in which the Shanghai Ratepayers' Meeting was held."

T. F.

Shanghai, Feb. 25, 1941

Editor's Note: Trammany Hall is a political organization in New York City which claims to be the regular representative of the Democratic Party in that city. The name Trammany is of Indian (red) origin, and the organization itself dates back to 1789. Aside from politics, the society also conducts charitable activities, but is chiefly known because of its control of municipal politics. On occasion it has manipulated elections through vote frauds, the purpose being to maintain control of the machinery of municipal government. Many men high in the councils of American politics owed their election to the influence of Tammany, but on occasion its influence has descended to lowest depths of municipal corruption. The Encyclopaedia Brittanica says: "About 1842 Irish gangs which used physical violence at election time, became a source of Tammany strength. The Society reached its height of power about 1870 under the leadership of William Marcy (Boss) Tweed who used his popularity to place his men in important positions of control in the mayorality and other administrations, in the chief executive's office of the state, common councils of the city, state legislature and even in some of the judges' seats....He controlled votes by purchase or other means and secured passage of a city charter giving him control leading to the "inauguration of a system of plunder that has had few parallels in modern times."

$2.40 A COPY

To the Editor:

On Feb. 10, I spent $1.80 to buy one copy of **The China Weekly Review** here in Kunming. The copy was dated Jan. 18. Yesterday, I purchased another copy—that of Jan. 25—and the dealer charged me the large sum of $2.40 as you can see from the clipping of the cover I am attaching. The dealer said that the price advanced so quickly because of the exhorbitant increase in postage. I feel it is too big a price for this poor reader and I wish you would do something to settle this question.

L. C.

Kunming, Feb. 14, 1941.

Editor's Note:— The increase in price pertains to airmail postage which was suddenly increased and made effective on Feb. 1, although the Post Office did not make it public until after the first of the month. The drastic, or rather exhorbitant, charges are due to a change in the system of estimating weight on newspapers and magazines. The previous rate was 15-cents for each 50 grammes, but the new rate is 15-cents for each 10 grammes. As a result, the airmail postage on an average copy of "The China Weekly Review," which previously was 30-cents, has been increased to $1.06 or $1.20 for each copy. There has been no explanation from the Post Office as to the exhorbitant charge.

Litvinoff "Purged," Molotov May Go

Former Soviet Russian Foreign Commissar Litvinoff, within the ambit of recent changes in Soviet Russian Party Offices, was excluded from the Executive Committee of the Soviet Russian Communist Party, it was reported by **Transocean** from Moscow on Monday last.

The former Soviet Russian Commissar for Foreign Affairs has thus lost every position he had held in the Party and State," the message added.

Congressman Martin Dies, head of the Dies Committee for the Investigation of Un-American Activities, predicted to **International News Service** on Wednesday that M. Josef Stalin would shortly purge M. Viacheslav Molotov, Foreign Commissar.

Congressman Dies asserted that lying in his Committee's files was a two-year-old secret memorandum explaining the recent purge of M. Molotov's wife from the Communist Party, and the dismissal of M. Maxim Litvinoff, Russia's best-known statsman and former Foreign Commissar.

Mr. Dies said that the memorandum indicated the justification of the eventual purge of Molotov was artfully established by Stalin in Washington in 1939, "through a fantastic piece of Soviet-American intrigue," as Stalin foresaw the eventual need of the purge.

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